



3 1761 11701905 9



RB474-1



Presented to  
The Library  
of the  
University of Toronto  
by  
Mrs. W.R. Walton, Jr.

CA1  
Z 1  
-57P21


Canada. Royal commission on price  
spreads of food products.

Hearings, v. 17-18, 1958..

1959





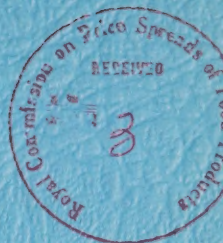


Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto





*Dorothy Walton*



# ROYAL COMMISSION

ON

## PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

**TORONTO**

**ONT.**

VOLUME No.: **171** DATE:

SEP 13 1958

OFFICIAL REPORTERS

ANGUS, STONEHOUSE & CO. LTD.  
371 BAY STREET  
TORONTO

EM. 4-5773

EM. 4-5865









ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

ROYAL COMMISSION ON PRICE SPREADS  
ON FOOD PRODUCTS

---

Proceedings before the Royal Commission on Price Spreads of Food Products commencing at 10.00 a.m., Friday, September 12th, 1958, at Toronto, Ontario

---

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton  
Mr. J. Howard MacKichan  
Mr. Romeo Martin  
Mr. W. Malcolm Drummond  
Mr. Cleve Kidd  
Mr. Bernard Couvrette

Secretary

John A Dawson

Assistant Secretary

A. A. Caron

---







A  
RY/L  
16/9

Tuesday,  
September 16, 1958.

---On resuming at 10.00 a.m.

Submission of

ONTARIO FEDERATION OF LABOUR, C. L. C.

Appearances :

Mr. D. F. Hamilton	Secretary-Treasurer
Mr. Gordon Milling	Research Director
Mr. George Barlow	Canadian Director, Retail-Wholesale Department Store Union
Mr. Gordon Reekie	Representative, Retail-Wholesale Department Store Union
Mr. George Spaxman	Representative, Retail-Wholesale Department Store Union
Mr. Thomas Sheldon	Amalgamated Meat Cutters Union
Mr. William Falls	Amalgamated Meat Cutters Union
Mr. Jack Robinson	Research Director, Teamsters Union
Mr. John Langlet	Packing House Workers

---

THE CHAIRMAN: If you will come to order,  
we will open the hearings this morning, and we are  
to have the presentation from the Ontario Federation





RY/jp  
A  
16/9



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2711

of Labour, and the brief will be presented by Mr. D. F. Hamilton, Secretary-Treasurer, and he has with him Mr. Gordon Milling, a research director, and a number of other gentlemen who later on, during the questioning, will be able to take part.

We appreciate the interests of organized labour in the problem we have before us. If you would like to read your brief now, we will proceed.

MR. HAMILTON: Just by way of a preliminary, Mr. Chairman and members of the Commission, I will read the brief but with the understanding that I will skip over the charts and tables as having been read, because they are quite detailed and cumbersome as far as reading is concerned, and, therefore, we can go back later and Mr. Milling or I will answer questions arising out of the tables, after we have finished reading the brief.

We requested this opportunity of appearing before the Commission in order to comment on the significance of labour costs and productivity in the determination of food prices. Needless to say, our 500,000 members and their families have an interest in the work of this Commission that goes far beyond the rather limited scope of our submission. Most of them this week will spend twenty, thirty or perhaps fifty per cent of their take-home pay on food products. Price changes





take-home pay on food products. Price changes of food products as a result have a day-by-day impact on the living standards, and even health, of industrial workers. Their questions about price spreads or price increases can be answered only by the all-embracing type of inquiry with which this Commission has been charged. Our own contribution is necessarily restricted by our organizational interests, which lie mainly in the field of collective bargaining. In relation to the subject of your investigation therefore, our observations will deal chiefly with productivity and wages.

The Ontario Federation of Labour numbers among its affiliates, unions in food processing (meat packing, grain milling, canning, baking, dairies, etc.); wholesale trade, retail (mainly chain stores and bread and milk delivery) and transportation. The degree of unionization is not uniform, however, among the various branches mentioned, nor has it developed at the same rate in all sections of the industry or in all localities. On the average, as we shall show, wages tend to lag well behind those prevailing in the industrial community, reflecting in part the slower acceptance of collective bargaining by this group of employers.

For the most part union organization has been so recent in the food and allied industries that a chronology of union wage rates over a long







period would not be too helpful. We have had to rely to a large extent on wage rate surveys published by the Department of Labour and earnings data compiled by the Dominion Bureau of Statistics. Several current union agreements are cited as illustrations, and other members of our delegation may be able to enlarge on these if desired. We have filed with the Commission this morning the data about this matter.

Before closing these introductory remarks, we wish to express our appreciation to the Commission for making provision in its very full schedule to hear our presentation. If it would be of assistance to the Commission, we would be happy to collect and forward such additional material as we may be able to obtain on the subjects discussed here. We are of course aware that some of the considerable omissions from this brief may be covered by labour organizations which have appeared before you or will appear at later dates.

Productivity and Wages - We recognize that any examination of price levels and price spreads must take into account a variety of factors whose interaction exerts upward or downward pressure on prices. Of all these factors, wages are perhaps the most talked-about and therefore the most readily blamed for price increases or widening price spreads. Not only is the public aware of wage changes through







personal experience and that of friends, but it is exposed to a great deal of wage information in the news and editorial columns of the daily press.

Public knowledge of wage changes unfortunately is not matched by an understanding or even awareness of other factors that may be equally or more decisive in establishing price levels. Market conditions for raw materials and finished products are not readily understood even by those most directly affected. Operational and financial policies of management are an even greater mystery.

Current public discussion of price changes is therefore characterized by a preoccupation with labour costs and a tacit assumption that the other factors will look after themselves. In the absence of complete information, the other side of the story is not often told; and when it is told it turns out to be fairly complex for the obvious reason that it deals with a complex process. Explanations that place wages and prices in a direct cause-and-effect relationship have the overwhelming advantage of simplicity.

It is not surprising therefore, that the concept of productivity should have become somewhat more of a football than a scientific tool in the wage-price controversy. Perhaps "boomerang" would be a more accurate figure of speech, since any resistance to wage increases on the basis of





lagging productivity can lead to considerable embarrassment when productivity surges ahead. The truth is, that while productivity indexes might prove useful as long-term criteria of industrial efficiency and of "fair" returns to the factors of production, they would not lend themselves to the making of formulas for short-run business decisions. Nor could they be expected to determine an equitable distribution of the proceeds of industry if they were based on a period when the distribution was inequitable to begin with.

Basically of course, we must face the fact that no authoritative measurements of productivity are available for industries or groups of industries, although the federal Government and some university researchers are known to be working on the problem. Company productivity data are not published for obvious reasons; nor are they revealed to trade union negotiators, for less obvious reasons.

We trust that the Commission will be successful in obtaining reliable measurements of productivity in the several sections of the food industry, and in relating these to the main issues of the inquiry. We regret that our own contribution must necessarily be both tentative and limited in scope.







The Food and Beverage Industry - The wage picture in the food and beverage industry as a whole may help to place wage issues in their proper perspective and make possible some observations on the relationship of productivity to labour costs.

It should be pointed out that the Standard Industrial Classification places in this general category several industries that are not included in the terms of reference of the Commission: the feeds industry, carbonated beverages, distilling, brewing and wines. Since the sources of average earnings data provide breakdowns for only four out of the remaining twelve sub-groups (three out of eleven in Ontario), it was thought that data for the main group might at least indicate the status of those industries for which separate data were not available.

In the following table we have listed 41 manufacturing industries including main groups as well as sub-groups for purposes of comparison. Two ranks are compared, one for 1946 and one for 1956, in order of average hourly earnings. Industries in the food and beverage group are underlined and connecting lines drawn to show more clearly the changes in rank over the ten-year period:









TABLE 1 continued

1946

1956

Rank	Industry	Average (¢ per hr.)	Rank	Industry	
22	Saw & planing mills	66.6	22	Glass & glass products	147.3
23	Grain mill products	66.1	23	Aluminum products	141.1
24	Glass & glass products	64.7	24	Grain mill products	143.7
25	Wood products*	64.2	25	Saw & planing mills	137.8
26	FOOD & BEVERAGES*	62.3	26	Tobacco & tobacco products	133.5
27	Furniture	61.8	27	Other paper products	
28	(Other paper products (Medicinal & pharm. prep.	59.0	28	Wood products*	
29	Clothing (textiles & fur)*	55.4	29	FOODS & BEVERAGES*	
30	Leather products*	55.3	30	Chemical & pharm. prep.	
31	Bread & bakery products	55.7	31	Synthetic textiles, silk	122.3
32	Tobacco & tobacco products	53.9	32	Furniture	
33	(Canned fruits & vegetables (Synthetic textiles, silk)	53.8	33	Food & bakery products	
34	Textiles, except clothing*	53.7	34	Cotton yarns &c.	115.2
35	Woollen goods	53.2	35	Textiles, except clothing*	114.8
36	Boots & shoes exc. rubber	52.9	36	Canned fruits & vegetables	110.4
37	Cotton yarns &c.	52.8	37	Woollen goods	107.4
38	Knit goods	50.8	38	Leather products*	104.6
				Chemical & pharm. prep.	
			40	Boots & shoes exc. rubber	100.6
			41	Knit goods	98.1

\* Indicates main industry group where one or more sub-groups appear in the list.

Note: Above lists include only industries for which data for 1946 and 1956 were given. For 1956







This table calls for little additional explanation. It is quite clear that neither the food and beverages group, nor its component industries, are meeting the "going wage" in manufacturing. Taken as a whole, the group declined in its relative position between 1946 and 1956. Except for distilling, the sub-groups also dropped in the ranking. In both years only one of the food industries - meat products - ranked above the manufacturing average (70.0 in 1946 and 151.5 in 1956). Baking and canning slipped even closer to the bottom of the list.

Ranking of industries by average weekly wages gives very nearly the same result for the two years shown, and has therefore been omitted. Similarly, ranking of industry averages for Ontario finds the food group in much the same relative position.

Using the same data and comparing the ten-year increases with those in manufacturing generally, we find further evidence that food industry workers have not made appreciable progress toward narrowing the wage gap. The following table shows these relative increases:



TABLE 2 Average Hourly Earnings and Weekly Wages,  
1946 - 1956; Manufacturing and Foods  
(Canada)

	<u>Average Hourly Earnings</u>			<u>Average Weekly Wages</u>		
	<u>percent</u>			<u>percent</u>		
	<u>1946</u>	<u>1956</u>	<u>Increase</u>	<u>1946</u>	<u>1956</u>	<u>Increase</u>
<u>Manufacturing</u>	70.0	151.5	116.4	29.87	62.27	108.5
Durable goods	76.4	163.2	113.6	32.70	67.24	105.6
Non-durables	63.8	138.6	117.2	27.18	56.69	108.6
<u>Food &amp; beverages</u>	62.5	130.2	108.3	26.50	53.25	100.9
Meat products	72.9	156.9	115.2	29.74	63.39	113.1
Canned & preserved fruits & vegetables	53.8	110.4	105.2	20.66	42.84	107.4
Grain Mill products	66.1	143.1	116.5	30.08	60.39	100.8
Bread, bakery prod.	55.7	113.3	112.4	24.01	51.34	113.8

Source: D.B.S. Review of Man-Hours and Hourly Earnings, 1946 - 1956.

Because of variations in the standard work week, weekly wage comparisons show a pattern slightly different from those of hourly earnings. This table shows, however, that the rate of gain in food and beverages was much the same, or in some cases slightly below, the percentage gains for manufacturing. As we have seen in Table 1, the net result is a relative decline in the position of the food industries.

Why these industries should have remained among the lower paid groups is a question that we shall not attempt to answer in all its aspects. It may be that the proportion of unskilled workers is





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



higher; more women and youths employed; or the averages may be influenced to some extent by the prevalence (as in canning) of part-time and seasonal employment. (See Appendix "C" of original brief).

There is no evidence that any significant section of the industry could be described as "depressed". While we are not armed with analysis of the financial histories of the many companies whose statements are published our numerous contacts with that type of material have invariably shown the firms to be soundly, even conservatively, financed; and consistently profitable at least in recent years. It is true that the reduction in total establishments in food and beverages from a high of 9,393 in 1934 to 8,862 in 1946 and 8,134 in 1955 suggests a less prosperous industry than our own experience would indicate. Much of this reduction, however, is attributable to the widespread rationalization that has been evident in many fields. That 531 establishments should disappear during 12 depression and war years and 728 over a 9-year boom period does not necessarily betray any long-term weakness in the industry. There are now a smaller number of firms sharing a market that has grown in value from just over \$2 billion in 1946 to \$3.6 billion in 1955 and continues to grow at least in proportion to the rate of population





growth. (Industry data from D.B.S. General Review of Foods and Beverages, 1955).

Lacking any official measurements of productivity, we have no means of determining how efficiently the food industries are meeting the demands of this expanding market. Rationalization of the industry is certain to be accompanied by the growth of larger-scale production units, and these new units will be able to take advantage of highly efficient equipment and methods. This development has been evident, for instance, in dairies, whose innovations in processing have been complemented by the introduction of bulk storage and the collection of milk by tank trucks. Mechanization and improved methods have not come to all sections of the food industry at the same rate or the same time, however. Moreover, some savings achieved by improved techniques may have been partially offset by the adoption of more elaborate packaging, specialty products and other devices designed to appeal to the consumer.

A rough measurement of productivity changes can be obtained from industry statistics in terms of value added by manufacture and man-hours paid for. Since the published statistics have been affected by changes in the method of reporting, we have examined only the data for the last five years, 1951 to 1955 (the last year available). The indexes,





calculations for which are set out in Appendix "A" are as follows:

TABLE 3 Value added by manufacture per paid man-hour  
Foods and Beverages, Canada, 1951 to 1955

		Index	Man-Hours Index	Value added per Man-Hour(Index)	Percent Change
	<u>Value added</u>	<u>(1951:100)</u>	<u>(1951:100)</u>		
1951	\$ 985,241,000	100.0	100.0	100.0	
1952	1,091,944,000	110.8	99.5	111.4	
1953	1,146,474,000	116.4	99.7	116.8	
1954	1,181,648,000	119.9	99.8	120.1	
1955	1,257,653,000	127.6	100.8	126.6	
Percent change 1951-55		✓ 27.6	✓ 0.8	✓ 26.6	

During the same period, average hourly earnings showed the following increases:

1951 - 99.2  
 1952 - 109.8 (✓ 10.6%)  
 1953 - 115.5 (✓ 5.2%)  
 1954 - 120.6 (✓ 4.4%)  
 1955 - 124.7 (✓ 3.4%)  
 Increase, 1951-55 : 25.6%

For a more precise comparison of value added per man-hour and average earnings, both should be expressed in "real" terms by adjusting for price increases. Since no price deflator was available for factory prices (i.e., a composite wholesale price index for food products), we have



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



left both in terms of current dollars. Even if the figures were deflated, however, it is not likely that the relation of earnings and output would be greatly different from that shown here.

Allowing for that discrepancy, it would still be seen that the indicated trend in earnings is matched by an increase in productivity. It is also interesting that an increase of 27.6 per cent in value added by manufacture was achieved with an almost negligible change in man-hours paid for.

Despite the increase in output and the equivalent improvement in earnings, however, workers in this industry did not improve their wage status in relation to the manufacturing average.

Assuming that our estimate of productivity trends is reasonably accurate, it does not of course follow that wage increases ate up the entire productivity increase. Wage increases in fact place a demand on productivity improvements only in proportion to the ratio of wages to sales. The remainder, usually the major share, is available to the other factors of production on a similar basis.

Bread and Bakery Products (Ontario) - As a further illustration of wage and productivity relationships we have made use of statistics for the bread and other bakery products industry in





Ontario.

The same productivity measurement (see Appendix "A" of the original brief) provides the following comparison with average earnings:

TABLE 4 Value added by manufacture per paid man-hour Bread and Other Bakery Products, Ontario, 1952 - 1956

	<u>Value added</u>	<u>Index</u> <u>(1952:100)</u>	<u>Man-Hours</u> <u>(Index)</u>	<u>Value added</u> <u>Per Man-Hour</u> <u>(Index)</u>	<u>Percent</u> <u>Change</u>
1952	\$ 55,573,230	100.0	100.0	100.0	
1953	59,924,269	107.8	103.1	104.6	↗ 4.6
1954	60,407,009	108.7	101.6	107.0	↗ 2.2
1955	62,225,823	112.0	103.5	108.2	↗ 1.1
1956	63,225,934	113.8	105.1	108.3	↗ 0.1
Percent change 1952-56		↗ 13.8	↗ 8.3		

Average Earnings:

1952	-	97.4	
1953	-	100.8	
1954	-	105.3	Per cent change 1952-1956 - ↗ 18.7
1955	-	107.5	
1956	-	115.6	

Here we see an example of wage increases apparently running ahead of productivity, at least during the period reviewed. Again, however, the final wage figure is still far below average and at least as far below as it was at the beginning of the period. If productivity were the sole justification for wage increases, those workers would have



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



suffered an even greater injustice.

On the other hand, the available data for this industry offer a means of relating wages and prices to determine the maximum effect of increased earnings on the selling value of a product. Taking the figures for Canada, for instance, we find that the factory price of a pound of bread rose from 5.8 cents in 1946 to 11.7 cents in 1956, or 101.7 percent. In the same period average hourly earnings increased by 112.4 percent. In that ten-year period, however, production wages averaged approximately 29 percent of total selling value. It follows that the entire amount of increased earnings could have been met by a price increase of 32.6 percent over that period. From its original 5.8 cents, the factory price would have risen by 1.89 cents to 7.7 - not 11.7 (Price data from D.B.S. Bread and Other Bakery Products, 1955)

We emphasize that this calculation assumes that a given increase in wage costs can be met only through an increase in the price of the product (and applied equally to the various products). In making this assumption we are discounting entirely the probability that wage increases can be met by productivity improvements or from profits.

Before leaving this section of our submission it may be of interest to show how the averages are related to occupational wage rates.





The figures in Table 5 are drawn from three sources and include the price averages already mentioned:

TABLE 5. Wage Rates, Earnings and Average Prices:  
Bread and Bakery Products, 1946-1956 (Canada)

	Hourly Wage Rates (averages) <u>Male Helper</u>	<u>Baker</u>	Average Hourly <u>Earnings</u>	Factory price of bread (per lb.)
	(\$)	(\$)	(\$)	(cents)
1946	.53	.69	.557	5.8
1947	.60	.78	.618	6.6
1948	.67	.85	.690	8.1
1949	.72	.91	.777	9.0
1950	.76	.98	.815	9.5
1951	.85	1.05	.902	10.5
1952	.89	1.16	.978	10.6
1953	.94	1.23	1.039	11.0
1954	.98	1.23	1.080	11.4
1955	1.02	1.38	1.101	11.4
1956	1.13	1.43	1.183	11.7

Sources: Dept. of Labour, Wage Rates and Hours of Labour in Canada - annual issues.

D.B.S. - Review of Man-Hours and Hourly Earnings, 1946-1956.

D.B.S. - Bread and Other Baker Products, 1955.

Finally, we would draw your attention to Appendix "B" in which we have listed a series of wholesale price indexes for bakery products by months from October, 1951 to July, 1958 inclusive. These component indexes are not available in historical series, and are listed here only because



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



of their possible relevance to a discussion of wage-price relationships. We are struck by the precision of whatever pricing system gives rise to this quite unique pattern of indexes. We are also confident that these price changes have been only remotely influenced either in timings or degree by wage settlements negotiated by unions in the industry.

Retail and Wholesale Trade - Published statistics of average earnings, weekly wages and wage rates either do not include figures for retail or wholesale trade or, in the case of wage rate surveys, do not provide separate data for the food trade. Little or no information about employment (number of employees, hours worked, etc.) is obtainable.

The Operating Results series prepared by D.B.S. offers some interesting analysis of wages and other cost items in relation to the sales dollar - but since there is no way of relating these figures to units of labour, they will not shed much light on the question of productivity.

Profitability of various sections of the trade is similarly obscure, since the presentation of data in the Operating Results series is apparently designed to prevent any relating of gross or net profits to the owners' equity. The published surveys are no doubt meaningful and useful to business







managers who have no great need for comparative information on returns to capital. For our purposes, however, a sales-dollar analysis is not enough. We are dealing with firms whose reason for existence is expressed, not in terms of margins of profit but rather in terms of return on investment. The supreme importance of volume sales in modern food retailing needs no detailed explanation here, but it is at least worth stating.

The trend in food retailing and wholesaling for some years has been toward the greatest possible exploitation of volume selling. To the extent that this process involves a change in consumers' buying habits - attracting them from smaller-scale dealers - it will utilize low markups and high selling costs, resulting in low or even negligible net margins. Table 6 shows that the really significant result is a very healthy rate of return to capital despite a dwindling of sales-dollar profits.

Data for this table have been drawn from published financial statements of six leading Canadian firms - four retail chains and two combined wholesale-retail chains.



TABLE 6 Financial Summary, Six Food Merchandising Chains, 1956<sup>(1)</sup>

	Operating Profit, % of Net Worth				Net Profit % of Net Worth		Retained Earnings Percent of Net Profit		
<u>Sales</u>	<u>Operating Profit</u>	<u>Net Profit</u>	<u>Net Worth</u>	<u>Operating Profit, % of Net Worth</u>	<u>Net Profit % of Net Worth</u>	<u>Depreciation</u>	<u>Amount</u>	<u>Profit</u>	
-----\$Millions-----									
Dominion Stores Ltd.	\$219.7	\$10.7	\$4.3	\$30.5	\$35.1%	14.1%	\$1.8	\$3.2	74.5%
Canada Safeway Ltd.	189.0	10.0	4.9	20.3	49.3	24.1	1.4	2.4	49.0
Loblaws Groceries Co. Ltd.	255.7	13.5	5.7	57.9	22.3	9.8	2.9	4.0	70.2
Steinberg's Ltd.	120.0	6.4	2.0	17.9	35.6	11.1	1.5	1.7	85.0
National Grocers Co. Ltd.	n.a.	1.4	.6	8.3	16.6	6.8	.3	.2	33.3
Western Grocers Ltd.	n.a.	3.5	1.3	18.3	19.1	7.1	1.2	1.2	76.9
	45.5		18.8	153.2	29.7 (Avege)	12.3 (Avege)	-9.1	12.5	66.5 (Avege)
							---\$ Millions---		(%)

Source: Moody's Industrial Manual, 1957

(1) Fiscal Year

(2) Net profit after dividends and stock premiums, but before transfers for capital purposes







In the aggregate, the six chains succeeded in making 29.7 percent operating profit and 12.3 percent net profit, both ratios expressed as a percentage of net worth. At the same time they were ploughing back a substantial amount for depreciation and retaining two-thirds of net profits for expansion.

Taking only the four retail chains, operating profit was 32 percent and net profit 13.3 percent of net worth. Retention of earnings was also slightly higher, at 66.9 percent, than the six-firm average.

From 1950 to 1956 all four supermarket chains showed rapid gains in sales and profits:

TABLE 7 Sales and Net Profit, Four Food Retail Chains, 1950-56

<u>Dominion</u>	Sales	\$ 64,247,186	\$219,735,831	/240
	Net Profit	1,479,517	4,326,000	/192
<u>Safeway</u>	Sales	108,605,613	189,042,874	/ 74
	Net Profit	2,740,018	4,865,598	/ 76
<u>Loblaws</u>	Sales	101,002,197	255,736,868	/153
	Net Profit	2,185,915	5,668,088	/159
<u>Steinberg's</u>	Sales	45,040,585	120,019,663	/167
	Net Profit	661,126	2,009,052	/204

While we cannot show how wage and salary gains affected these results, it is probably fair to say that there is no evidence here of a "profit squeeze". Certainly, capital employed in these firms was having no trouble claiming its share of the proceeds.





One further point should be mentioned, although we cannot supply exact figures to support our claim. We know that the retail food chains have been turning more and more to the use of part-time employees in their store operations. This class of employee may or may not be covered by a collective agreement, since practices in this regard vary from place to place; but he will invariably receive a much lower rate of pay than regular employees - as little as one-half in some cases. We understand that some stores will employ as many as three part-time to every two full-time workers - a ratio that will be reflected in a great cost advantage to the employer. Further advantages accrue to the firm where fringe items - vacations, health insurance, pensions, etc. - enter into the picture; part-time employees qualify for few, if any, of these benefits.

Since about 1950, there has also been a strong trend to the employment of women in store occupations that were once almost exclusively male. Locally, for instance, we are told that from 50 to 60 percent of the jobs in supermarket meat departments are held by females, where the proportion in 1950 would have been no more than two percent.

Both trends have the effect, not only of holding down present labour costs, but of dis-





couraging future wage increases.

CONCLUSION: Since 1949 the Toronto Welfare Council and one of its member agencies, the Visiting Homemakers Association, have carried on a continuing study of family living costs based on a minimum standard of health and self-respect. A few months ago the council (now the Social Planning Council of Metropolitan Toronto) issued a compilation showing a minimum monthly budget for a family of six. The total shown was \$254.94, exclusive of rent. This represents a weekly requirement of \$58.83. If we add an arbitrary \$15.00 per week for rent (a figure that is probably well below average), the weekly budget would be \$73.83, the equivalent of \$1.846 per hour for a 40-hour week. (Social Planning Council, Toronto: Summary of Monthly Costs, Hypothetical Family of Six; unpublished. Pricing for April, 1958).

At the same time (June, 1958) wage-earners in the food and beverage industry in Toronto were earning an average of \$62.45 per week, or \$1.542 per hour. The averages for all manufacturing in Toronto were \$69.41 weekly and \$1.718 per hour. (D.B.S., Man-Hours and Hourly Earnings, June, 1958)

If we can depend on the good judgment of social workers - people whose integrity and non-partisanship are beyond reproach - the only possible conclusion to be drawn is that the great majority







of workers in these industries are earning at or about the subsistence level. It may be true that smaller families can get by on less than \$73.83, but larger families will require more.

Family budget studies unfortunately have not been attempted by any government agency in Canada. Consequently we cannot make similar comparison on a country-wide or provincial basis. We would suppose that the result would be much the same.

Whatever the outcome of this inquiry, it can hardly be suggested that real prosperity can be achieved unless all sections of the community have access to good living standards. Those whose labour enters into the processing and distributing of food are no less entitled to consideration in this respect than the primary producer or the consumer.

It may well be that part of the solution lies in a greater emphasis on efficient methods of production and distribution. How rapidly productivity will be raised will of course depend on management decisions; and if real competition exists in these industries, management should have the necessary incentive.

Another part of the solution must involve an appraisal of the distribution of income in the industry. Unless commodity prices, profits, wages





and consumer prices can be brought into a more equitable relationship, food industry workers are likely to remain well below average in earning capacity. Moreover, there is no assurance at this point that productivity gains will be passed on to the consumer or primary producer.

We shall conclude our presentation with the hope that the questions we have raised and the views expressed will supplement the wealth of more systematic and detailed information the Commission will have received from other sources. We know the report of this Royal Commission will be received with the greatest interest by Canadians in all walks of life, including those who are trade unionists and consumers.

All of which is respectfully submitted on behalf of the Ontario Federation of Labour, C.L.C.

APPENDIX "A" - Calculation of Index,  
"Man-Hours Paid For" - The earnings statistics used in this computation include payment "for overtime work, incentive or production, and cost-of-living bonuses paid at regular intervals, and amounts credited to wage-earners on leave with pay in the reported pay periods". (D.B.S. Review of Man-Hours and Hourly Earnings, 1946-1956, p.38). The following calculation therefore is designed to allow for wage payments that enter directly into





the cost picture but which would not be reflected in statistics for "man-hours worked".

"Man-hours paid for" are arrived at by first dividing total earnings of production workers by the average weekly wage, and then multiplying by average weekly hours. The result is converted to an index number. Here are the calculations for the two examples used in the text.

(a) Man-Hours Paid for - Foods and Beverages (D.B.S. Foods and Beverages, General Review, 1955 and previous years; and Review of Man-Hours and Hourly Earnings, 1946-1956, p.38):-

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	
	Production	Average	Average			Index
	Earnings	Weekly	Weekly	(A/B)	(DxC)	1951:100
		Wage	Hours			
1951	\$292,186,000	\$ 41.90	42.2	6,973.41	294,277,902	100.0
1952	321,410,000	46.01	41.9	6,985.65	292,698,735	99.5
1953	338,973,000	47.70	41.3	7,106.35	293,492,255	99.7
1954	352,858,000	49.25	41.0	7,164.63	293,749,830	99.8
1955	369,929,000	51.25	41.1	7,218.13	296,665,143	100.8

(b) Man-Hours Paid For - Bread, Bakery Products (Ontario), (D.B.S. Bread and Other Bakery Products, 1956 and previous years; and Review of Man-Hours and Hourly Earnings, 1946-1956, p. 38):-



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

	<u>A</u> Production Earnings	<u>B</u> Average Weekly Wage	<u>C</u> Average Weekly Hours	<u>D</u> (A/B)	<u>E</u> (DxC)	Index 1952:100
1952	\$ 28,868,009	\$ 43.15	44.3	6,690.15	29,637,365	100.0
1953	30,813,417	44.45	44.1	6,932.15	30,570,782	103.1
1954	31,692,075	45.38	43.1	6,983.71	30,099,790	101.6
1955	32,987,338	46.23	43.0	7,135.48	30,682,564	103.5
1956	36,006,466	49.71	43.0	7,243.30	31,146,190	105.1

APPENDIX "B" - Wholesale Price Indexes,  
Bakery Products (Canada):-

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
an.		177.0	177.0	188.0	188.0	184.8	205.8	205.8
eb.		177.0	177.0	188.0	188.0	184.8	205.8	205.8
ar.		177.0	177.0	188.0	188.0	186.4	207.4	210.5
pr.		177.0	177.0	188.0	183.3	186.4	207.4	210.5
ay		177.0	177.0	188.0	183.3	186.4	207.4	210.5
une		177.0	177.0	188.0	181.7	195.9	207.4	210.5
uly		177.0	188.0	188.0	181.7	195.9	207.4	210.5
ug.		177.0	188.0	188.0	183.3	196.4	207.4	
ept.		177.0	188.0	188.0	183.3	196.4	207.4	
ct.	176.4	177.0	188.0	188.0	183.3	201.1	207.4	
ov.	176.4	177.0	188.0	188.0	184.8	202.7	207.4	
ec.	176.4	177.0	188.0	188.0	184.8	204.2	207.4	

Source: D. B. S. Prices and Price Indexes (monthly issues)



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



APPENDIX "C" - Effect of seasonal variations on annual averages of hourly earnings, canned and Preserved Fruits and Vegetables (D.B.S. Review of Man-Hours and Hourly Earnings, 1946-1956, and monthly issues).

The Dominion Bureau of Statistics, in its Review of Man-Hours and Hourly Earnings, data from which appear throughout our submission, arrives at annual averages by averaging the monthly averages. While this method may not be too inaccurate in the case of most industries, it can result in a substantial error where average earnings and employment show a divergent seasonal pattern. In Canned and Preserved Fruits and Vegetables, for instance, average hourly earnings ranged in 1956 from 121.2 cents in March to 97.5 in September, but employment in September was close to three times the March figure. Some form of weighting is called for here, if the statistics are to resemble the actual average - a figure that would be obtained by dividing the annual payroll by total man-hours. Since monthly average employment data are given, these offer a convenient series of weights. The resulting average provides a more accurate statistical tool, and in the case of this particular industry avoids an overstatement of just under four percent.







Average hourly earnings by month, Canned and Preserved  
Fruits and Vegetables; Canada, 1956 -

<u>Month</u>	<u>A</u> <u>Average</u> (cents)	<u>B</u> <u>Employees</u>	<u>AxB</u>
January	117.8	5,468	\$ 6,441.30
February	118.3	5,385	6,370.46
March	121.2	5,183	6,281.80
April	119.1	5,737	6,832.77
May	117.3	6,202	7,274.95
June	116.3	6,483	7,539.73
July	109.2	8,565	9,352.98
August	102.8	14,218	14,616.10
September	97.5	18,543	18,079.43
October	99.3	20,880	20,733.84
November	101.2	12,961	13,116.53
December	104.2	<u>9,959</u>	<u>10,377.28</u>
		119,584	127,017.30
Weighted average:	$\frac{127,017.30}{119,584}$ : \$1.062 (106.2 cents)		

D.B.S. average: \$1.104 (110.4 cents)

The same calculations applied to the Ontario canning industry for the year ending May 1, 1958 provide a weighted average of 121.0. A simple average of 129.8 overstates the average by 8.8 cents, or 7.3 percent.

Referring back to the use of D.B.S. averages in our ranking of industries it will be seen that the use of weighted averages throughout would probably downgrade the canning industry by one or two places.





THE CHAIRMAN: Thank you. On the first page you have a reference to the published data on the problem of labour from the Dominion Bureau of Statistics, and later on, on page 12, there is a further reference to the lack of information about employment. As a general question, how adequate do you feel, for the purposes, say, of measuring earnings and changes of earnings and productivity, the published data of the Federal Department are?

MR. HAMILTON: Mr. Milling could answer this, but I will answer it in a general way and then he will be more specific. I think there are some broad gaps in the information which we can obtain from the Department. Mr. Milling, who deals with the Research Department every day, may be able to elaborate more specifically on some of the gaps which we have found, and for which we would like to have the Department supply statistics.







:iz  
/16

MR. MILLING: Mr. Chairman, this reference on page 120 referred only to retail-wholesale trade. In the first place, the survey of man-hours and hourly earnings, which we made reference to at numerous places in the brief, actually does not contain figures for retail and wholesale trade. The man-hours and hourly earnings surveyed is, I would say, fairly adequate for manufacturing, mining and forestry. I have also breakdowns given for transportation and for the service industry in general but without further breakdowns there may be some inadequacy there if we were dealing with those industries. The other survey, which we mention on page 1, is a Department of Labour survey. It is a survey of wage rates and hours of labour in Canada. It is published annually. It gives data in that for wage rates, not for actual earnings. Of course there is a difference there. The average earnings' figures we take from the other survey include payment for overtime for shift work, also statutory holidays, and vacations. It is important from the industry point of view at least.

MR. HAMILTON: This is an area, I think, where we might be able to supply the information to your Commission in another way. I think there are several gaps. Mr. Milling mentioned two. There are several gaps in the statistics which we would like





to see filled in. Maybe we could make a list of these and submit them to your Commission.

THE CHAIRMAN: That would be quite helpful. We won't pursue the matter any further.

MR. HAMILTON: It may be a more accurate way to do it than to give a rough answer. We could tell you which ones we think are missing and which ones we would like to have.

THE CHAIRMAN: Thank you.

MR. MILLING: Incidentally, I might mention there was a passing reference to one of the appendices. Perhaps if you don't mind we will turn to Appendix C where I have mentioned one of our criticisms of the DBS survey of man-hours and hourly earnings. This is mainly in reference to one particular branch of this particular industry. Very likely it does not apply in any great degree to any other industry.

For the canned fruits and vegetable industry there is a rather unusual seasonal pattern in the relation of average earnings to employment. It is in inverse ratio rather than direct ratio as in the case with most seasonal industries. In this case we feel the DBS would be well advised to use weighted averages. As we have pointed out here we have used the method of weighted and worked out an annual average based on this weighting method. As you will notice it results in a difference of anywhere up to 7.3 per cent in the annual average figures. We think





the DBS should take some notice of this.

THE CHAIRMAN: I was interested in this seasonal pattern of wages. In my innocence I have assumed that generally seasonal rates are higher than yearly rates. Is the explanation the type of employee who is brought in at this time and the nature of the work? Any particular reason for this?

MR. MILLING: It is certainly in the type of employee. For the seasonal work they hire unskilled workers. Some are migratory, some are housewives and some are high school students. Incidentally John Langlet may be able to elaborate on that. The Packing House Workers have a contract on that.

MR. LANGLET: In addition to that there is the problem of organizing seasonal workers. Very few are covered by contracts. Even the canners who are organized in many cases the Labour Board excludes seasonal workers so the company can hire them at the market.

THE CHAIRMAN: You would feel it would affect the legitimate yearly rate to include this group?

MR. LANGLET: Particularly when considering the effect of wages on prices. Most of the canned goods is actually packed during the seasonal period. I think therefore it has a direct relation to prices.

MR. HAMILTON: Eighty to ninety per cent of the labour costs going into canning would be part-time







labour. Certainly it would have to be included in any calculation.

THE CHAIRMAN: If you would be good enough to send us some information on the gaps.

MR. HAMILTON: Yes.

THE CHAIRMAN: On page 3 of your brief you say:

"The truth is, that while productivity  
"indexes might prove useful as long-  
"term criteria of industrial efficiency  
"and of 'fair' returns to the factors  
"of production, they would not lend them-  
"selves to the making of formulas for  
"short-run business decisions."

I think the point is well taken. I would be interested to hear you elaborate on this and indicate why you feel that this factor cannot reasonably be taken into account on short-run decisions?

MR. MILLING: I am not sure where to start. Productivity is a very involved subject. Perhaps I could mention one example. If you take some typical mass production industry that is involved in a very high rate of capital expansion in the present decade it will be having a pretty rapidly increasing rate of productivity. It will also have an extremely and abnormally high rate of investment, which of course places an extra demand upon the income of that industry 'during a certain period.





For instance, there are accelerated depreciation charges and there are high debt charges. Of course there is a very rapid retirement of debt in the more prosperous industries.

If productivity were the only criterion to decide on a fair share of return on various factors of production you could not write off capital at that rate. These short-run business decisions we are talking about deal with apportionment of the benefits of productivity to various factors of production.

We are simply pointing out that the consideration of productivity is not necessarily compatible with short-run business decisions but over the long-run would be useful to measure the growth of industry, particularly compared to other industries. I think it would be true, you could probably find out from some manufacturers appearing before the Commission, short-run business decisions are not done on productivity at all. They are made on the basis of earnings and on the relation of their earnings to their various short-term business requirements.

THE CHAIRMAN: Thank you.

MR. MILLING: I am not sure whether I have made that very clear. Perhaps you have some other questions.

THE CHAIRMAN: I would like to give you an opportunity to state it more fully, your own position.





Might I ask with reference to one or two of the tables why you pick 1946 as a year on which you give comparisons? I ask this because we have attempted to take the base year 1949, which is used as the post-war base for the DBS Index. I was asking why you use 1946?

MR. MILLING: When we decided to draw a list showing the rate of average earnings and the position of their various industries we simply tried to take as long a period as possible. Actually 1946 has been taken by a lot of other people, which is no good reason for us to do it, except it was the first post-war year and for a number of reasons makes it a very convenient basis. Over a longer period perhaps these changes in themselves are a little more significant.

MR. HAMILTON: I think Table I pattern would stand up regardless of what year we took -- 1946 or 1945 or whatever year. I think the same pattern would have stood up in relation to Table I.

THE CHAIRMAN: That is quite true. It is true, of course, that the wartime controls were still in effect during 1946.

MR. MILLING: Yes, that is true.

THE CHAIRMAN: Incidentally, perhaps this would be a good point to ask you about the degree of organization in the food industry generally and in the differences in the degree of organization in







the different parts of the food industries. Would somebody give us a general picture of this?

MR. MILLING: Yes, I think we could. I would say, if generalizations are acceptable, because we don't have the exact figures, nobody released them or published them, I would say the degree of organization is high in the grain mill products, meat products. It is much less in industries like canned and preserved fruits and vegetables. It is only nicely getting under way in the industries such as bakery products. It is fairly high in one part of the dairy field, that is the distribution, but not very high in the processing.

There are some other sub-groups we could deal with; I couldn't tell you about them, such as macaroni and kindred products, which I must admit I know nothing about. There is the biscuit industry for which figures are given separately from the bakery industry. I would say the biscuit industry is probably a little better organized than the bakery product industry at the present time.

These are generalizations. The Department of Labour can give you a breakdown on the food and beverage industry by sub-groups, by food and beverage.

THE CHAIRMAN: Did I miss food retailing or did you mention that?





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

IT/jp  
C  
16/9

MR. MILLING: As a matter of fact I did not mention it. I was talking about manufacturing groups there. In retailing in Ontario, I would say organization is limited to some of the larger food chains, and of course, as I have mentioned, bread and milk distribution.

MR. HAMILTON: Retailing is one of the areas in which organization is growing I think more quickly than any of the other industries at the moment, particularly in Ontario and British Columbia - organization of large chains, which is progressing relatively rapid by comparison.

MR. MILLING: Incidentally, if you refer to examples of current union wage rates, these are all unionized plants, although in the case of the table of retail chain stores, one store mentioned, Loblaw Groceteria, has been organized by employees' association, which is not always considered a trade union by our people.

In the case of Power Supermarkets, I think most of their stores have contracts with the Amalgamated Meat Cutters. In the case of Dominion Store most of the stores in the larger centres - and Mr. Sheldon could probably correct me on this - are under contract with the retail wholesale department store union.

There are one or two stores in the Grand Union Chain, which I believe are now under contract





or just organized by the Teamsters. On the whole-sale end of things, which we do not deal very much with, I would say organization has been on a relatively low scale, but there are now some organizing attempts going on in the warehousing end of all those stores we have mentioned.

Some of the stores that are not mentioned here are very large ones like A & P, and of course Canada Safe Way operate in North Western Ontario. We have some financial information about them in the latter part of our brief, and I do not know - I am not sure what the state of organization is there.

At the other end of the Province there are some stores operated by Steinbergs, and my information is that they are not unionized. That is pretty well the picture as we know it.

THE CHAIRMAN: From what you state is it a fair implication that the general conditions of employment in the larger chains are better than in the small independent stores?

MR. MILLING: Very likely as a general rule, partly because most of the large stores - and especially in terms of employment - they are found in the larger centres, in what may be considered higher wage areas. That would be one factor that would come into the picture there.

THE CHAIRMAN: One of the arguments that







you advance here, and I am not questioning it, is that you point out wages in food industries are relatively low because of the other manufacturing industries, and therefore in terms of equity they should rise regardless of relative productivity. This is your position?

MR. MILLING: Yes, sir.

THE CHAIRMAN: Supposing that this happens generally, what effects would you expect to follow from this?

MR. HAMILTON: What effects? Do you mean price wise?

THE CHAIRMAN: Price wise or in terms of employment. If in general the industries in which wages are low, you take this position regardless of productivity, if they moved up, I would think that this would have some significance with regard to either prices or employment in different areas, and I wondered if you would care to comment on that.

MR. HAMILTON: I can only make a general observation. It is that higher wages and better conditions and unionization has usually tended to improve the industry rather than to deteriorize the industry - give them a more orderly method of doing business. In other words, the manufacturer knows from year to year what the wages are going to be, what his holiday schedule is going to be, and





therefore he can carry out his business in a much more orderly and efficient manner than he otherwise can do. That is number 1. Number 2 is that naturally as the wages go up, and the benefits fringe benefits as we call them - accrue with that contract, the better type of employee comes into the industry, and I think generally we find a better level if wages and everything in general were to go up.

I think we would work to give equality in the industry. Of course in the short-haul, and in the process of doing this sort of operation, of course management have generally upped prices, but they can only up prices so long and they level themselves off. It may be a little bit rough in the ensuing process, but in the overall picture then I think it would be a better industry for everyone concerned including the consumer.

MR. MILLING: I think your remark about prices was designed to ask from us what would happen to prices if the wages were brought up to what we might consider a decent living standard. Actually, frankly, to be completely honest about it, I think we have to look at the realities and to realize especially in some parts of the industry which are pretty well organized, I think, on the side of the proprietors. I think prices would rise probably - there would be definitely a tendency to pass along





the increased cost of any kind to the consumer if marketing conditions permitted it. Of course, that is a big "if", and that is all I can say at the present time.

That does not mean that is the only way that businessmen can meet the increased wage costs. They can obviously meet it by improving their methods of production and distribution. In other words, their productivity. Actually what you are likely to find has been the case in a great many other industries that we have dealt with. You will find increasing productivity and rising prices at the same time. For instance, if the general price level has the tendency to be rising during the next three or four or five years, I think you will likely see prices increase in food products even if there is no reason from within the food and beverage industry for this price increase.

It is a pretty well known purpose of businessmen or the businessman using economic terms to maximize profit, and I do not believe that motive died out with Adam Smith, and I think if the market will bear it there will be price increases whether or not there are wage increases commensurate with it.

THE CHAIRMAN: I was wondering if you were thinking of industry in general or whether you were thinking of a specific group. You made







reference to the effect of being dependent upon the market conditions, and I think in this answer you were thinking of the staple industry.

MR. MILLING: I was generalizing.

THE CHAIRMAN: But not thinking of a movement in this direction for industries in general?

MR. MILLING: Well, I was speaking in terms of a general price movement. That is, prices generally and its effect on the pricing decisions of a particular industry or particular group of industries.

THE CHAIRMAN: My purpose is not to try and put words in your mouth and induce answers, but simply to give you a chance to put your own position on the record. We know very well how difficult it is to make any reasonable calculations on productivity, and I would like to commend you on the effort in this submission. I know that you yourselves have said that the answers must be pretty approximate and tentative, but by the nature of the matter that has followed, however, we are grateful for this illustration of what can be done any way.

There is one point on page 10 that I wanted to ask you about. I will read a short paragraph and pose the question.

"Assuming that our estimate of productivity trends is reasonably accurate, it does not of course follow that wage increases ate up the entire





productivity increase. Wage increases in fact place a demand on productivity improvements only in proportion to the ratio of wages to sales. The remainder, usually the major share, is available to the other factors of production on a similar basis."

Now, my question is instead of "in proportion to the ratio of wages to sales", should that not be "in proportion to the ratio of wages to net value adding"?

MR. MILLING: I think you have got me on that one, Mr. Chairman; I am not going to try and bluff my way out of it.

THE CHAIRMAN: May I say I do not want to question the general implication - -

MR. MILLING: No. I would say sales is a conventional way of going about it. I am not saying it is right. Actually, the idea behind that paragraph is if in a particular plant or particular industry over a certain period you had a productivity increase of 10 per cent - there was actually 10 per cent more being produced per hour in terms of selling value - this could only necessitate or this could only be interpreted as a 10 per cent return to labour if labour in fact were the only factor of production.

THE CHAIRMAN: I do not question that at all. I only think if you accepted my amendment, the last sentence would probably not be accurate,





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

and I call your attention to the fact you have used a value added in your measurement.

MR. MILLING: Yes, that is right.

THE CHAIRMAN: I wonder if somebody could tell us something about the changes of techniques which were occurring in different branches of the industry and if their effect on quantity was in the distributing field.

MR. HAMILTON: I am at sea in this area. Mr. Milling says he has one here, and maybe if you would deal with this specific area, for example, retail food industry or the meat industry or one of them; maybe we have someone to speak on it on the specific area. Mr. Milling has one here and it deals with bread, does it?

MR. MILLING: Yes.

MR. HAMILTON: If you deal with this one we can answer your question.

MR. MILLING: In the back of the brief you made reference to improvements and technology in both production and distribution. Actually we might have included some examples. We do not have very many documented examples, but there are a few available. However, actually we started work on this brief a little over two months ago, and we were hoping there would be more recent material available.

Just at this point I would like to illustrate







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

what we meant about technical improvements occurring  
at different times and different rates in various  
sections of industry.





0:12  
0/16

MR. MILLING: I have here an item from the Toronto Globe and Mail of June 18th which tells about a fully automatic system for making bread. It says it is the first of its kind in Canada, and says it was put into operation yesterday, June 17, 1958, by Browns' Bread Limited. The system represents an investment of about a million dollars. There are some other comments about what the process involves. Then, there is a note that company officials said this equipment will boost capacity of the plant from 2000 loaves an hour to 4500 loaves an hour, without increasing the number of workers.

From this, we make two general observations. Technological improvements in some of these industries, when they come, are substantial. They actually result in a very substantial increase in productivity, if productivity is expressed in terms of output per man-hour. I think there are other equal ways of expressing this, but this is the conventional method of expressing it.

The second observation is, or, certainly as I have read it, and as most of you have heard it now, you would wonder how the bread industry has been so late in arriving on the scene. For instance, various trade journals have reported from time to time over the last five or six or seven years that fully automatic bread-making machines were in operation in various parts of the United States, but this





is the first one in Canada. That is in 1958, the first one in Canada eliminates the rest of the bread industry. The rest of the bread-making industry is lost, unless they have installed some of their own plants.

Since last June, they are operating at a rather substantial cost disadvantage in relation to Browns' Bread. As it happens, I notice wholesale prices are still pretty uniform.

Mr. Gleason, I wonder if you could tell us anything about the introduction of new machinery in the bread industry?

MR. GLEASON: There has been very little except with automatic, it eliminates three or four people in a plant. The big company, having its concentration of production in a city, and distribution from the town and surrounding areas. For instance, one of the companies we deal with has closed down. In the last ten years -- bakeries in St. Catharines, Oshawa, Welland, Galt, and possibly quite a number of small bakeries -- the production is then concentrated in the Toronto shop and the distribution there.

THE CHAIRMAN: Are there any other?

MR. HAMILTON: As a matter of fact, I am going to call on Mr. Reekie. He is very familiar with the dairy industry, and has worked in the industry for a substantial length of time, and I would ask him to make a few comments on it.







MR. REEKIE: The improvements in the dairy industry are rather substantial. A few years ago we instituted the "No Wednesday Delivery". In the "No Wednesday Delivery" approximately one in every five employees was automatically laid off, yet production was increased. This was because of the number of people moving into the areas, and everything else -- the new Canadians coming in. The production was increased to meet the population demand. This was done with less employees.

Lately, in the Toronto area -- the Metropolitan Area particularly -- having gone to, certainly, trucks-- the horse and wagon is a bygone thing -- thus doing away with a number of men. They can take five groups and make them into four compact groups -- four units of operation, but still, each individual employee is handling far more than he ever did before with the horse and wagon. He is working longer hours. I believe rates of hours have increased in the dairy industry delivery from around five days a week and 42, 43 hours to today a five-day delivery, five-day work week, with around 55, 56, and even as high as 60 hours a week.

In the methods of productivity and plant operations, they have done away with the old vat system requiring two or three employees to homogenize and pasteurize the milk. We have the HG system now which one man can operate all the machinery, and





it is put right through without a human hand touching it at any time. This is an additional layoff.

With the new bulk system of delivery from the farms, the farmer has to go to the expense of putting in bulk tanks, and that, for his raw material, and the dairy does away with the operations of hand-washing, testing, and everything else. That is done away with.

They save on the operation. In one plant here in Toronto they have done away -- in one department alone -- they have done away with, out of fourteen employees, half of them. In the milk testing, a few years ago milk testing by direct test, butterfat test, and everything else, was a specialized trade and the highest paid rate in the plant. Today it is done by a girl at the lowest paid rate in the plant.

These things are prevailing in the dairy industry today with the new methods of production. Today, we have right down in the bottling room, where the milk goes into the bottle -- at one time we had an operator handling possibly two or three hundred cases an hour. Today we have a machine that fills the bottles, puts the caps on and puts them in the case, and puts them in the storage and only one man is necessary standing there pushing the buttons.

The dairy industry more or less proves this out today. In the City of Toronto there are far less





dairies than there ever were in the past. Right now, three or four of the smaller dairies are ready to fold up because they can't meet these added expenses of productivity. The idea of the small operator handling maybe upwards of twenty groups can't afford to go out and get the equipment that is required to compete with his bigger competitors. And these bigger competitors are making the saving by doing away with employees.

Productivity is being done on a mass production, and is being done in the province or here, I believe, in one dairy particularly, they are down to 150 employees in the last two years, and to wind it up, this year is the first time in my recollection in the dairy industry that we have ever had a layoff -- actually a layoff -- because of over-staffing.

MR. MILLING: Mr. Langlet, would you care to comment?

MR. LANGLET: I am just going to repeat myself here if I do. I will comment on the meat packing end of it. I think we had better wait until then. I am not too familiar with canning, actually.

THE CHAIRMAN: I think I have taken up enough of your time myself. I will see what my colleagues wish to do. Mr. MacKichan?

COMMISSIONER MacKICHAN: On page 1,







about the middle of the first paragraph, you mentioned plant price changes of food products as a result have a day by day impact on the living standards and even the health of industrial workers. We all feel the impact of the changes in food.

On page 8, back to this paragraph I think the Chairman had touched on. I wonder if the importance of food in the whole life of people -- and we usually sit down to three meals a day and purchase food at least once a week, and sometimes every day -- do you think that situation where any change in food, a cent a quart in milk and two cents a pound for butter, and anything else. If we take the illustration of milk particularly and bread. One cent a loaf on bread. There is a hue and cry all over the country. We don't mind one hundred dollars on an automobile, or five dollars on a suit of clothes. Of course, we don't purchase them every day, but even a house which we purchase once, perhaps, in a lifetime, there isn't the same attention drawn to the matter as there is in food.

Do you think that has some bearing on the matter?

MR. MILLING: Oh, yes. Yes, of course. As you say, people do buy food every day, or if they don't buy it every day they are certainly using it every day.

But, as we did point out on page 1, just





on the basis of the basket of goods, or the consumer's budget, on which our consumer price index was based, I believe at that time, 1949, or when the index was being prepared, that food was estimated to take up an average of somewhere close to 28 per cent. I haven't looked at this figure recently, but about 28 per cent of the average consumer's budget. But, as we point out on page 1, this percentage may, in individual cases, run to anywhere from 20 per cent or less to 50 per cent or more. In the case of a family living on unemployment insurance, it would certainly run to more than that on the budget.

It is a very important item in family budgets, not only for psychological reasons, but for very practical reasons.

COMMISSIONER MacKICHAN: On the bottom paragraph, page 10, we have been talking about the bread and the bakery products, and the final wage scale being far below the average. What did you have in mind as the average? What class of worker? Would it include all workers?

MR. MILLING: In this case, actually, I should have been more specific. We were referring to the manufacturing average which appears in the first table, and in 1956, the manufacturing average was \$1.51½ -- \$1.51.5 -- and, in the bakery products industry in Ontario -- there is a difference, of course, between the national and Ontario figures.





Here in 1956, the average had reached \$1.15.6, which is pretty close to 40 cents less than the manufacturing average.

COMMISSIONER MacKICHAN: But it included with that pulp and paper mills and the steel industry?

MR. MILLING: Oh, yes.

COMMISSIONER MacKICHAN: Which are very, very high, or the higher wage groups.

MR. MILLING: Oh, yes.

COMMISSIONER MacKICHAN: In another section of the country we were told that wages had no direct bearing on food prices. Would you like to comment on that?

MR. MILLING: Well, at the risk of another generalization I think it would be more correct to say that wages had a direct bearing on food prices, but the actual truth is probably somewhere in between those two.

COMMISSIONER MacKICHAN: That is the way we try to arrive at it.

MR. LANGLET: I think, Mr. Chairman, when you come into a specific item the labour cost is very small. I know in the meat industry the total labour cost is only 30 cents per pound, so there is a difference.

COMMISSIONER MacKICHAN: I believe at that time we asked if the witness would admit that there may be some indirect bearing. He seemed rather







reluctant to admit that it had any indirect bearing on the matter.

MR. LANGLET: As I say, 10 per cent would be a fair per cent.

MR. SHELDON: In the matter in the United States between the packing house and the company, both the manufacturer and the packing unit over the period of years actually were not affected by increased productivity in the plants.

COMMISSIONER MacKICHAN: But there would be some bearing?

MR. SHELDON: Perhaps half a per cent over ten years, approximately. I would say it would be pretty minute.

COMMISSIONER MacKICHAN: Yes. Would you feel that perhaps increasing wages as well as the desire of invested capital for greater dividends are adding more impetus to the growth of automation?

MR. SHELDON: Would you give me that again?

COMMISSIONER MacKICHAN: I was wondering if increased wages, as well as the desire of invested capital for a larger dividend, is adding anything to the impetus of the growth of automation?





MR. MILLING: Yes, probably, but this would not be equally true in all sections of the industry. I would suggest that the prime motive for more efficient production and distribution is the desire for increased returns. I think that is a primary motive. This tendency towards automation is often expressed in terms of meeting the increasing cost factor. That is a very general term which covers a lot of things other than wages. Generally, from what we have seen of the food and beverage industry, there is probably no sub-group -- taking, for example, canning and preserving -- there are none of those sub-groups where the upward pressure of wages has in itself induced a desire to automate, and, in fact, it is very likely this has played no part in the move towards mechanization or automation in those industries. That is a very general statement, but as a product of a large number of our own observations, not outlined in the brief, that would be my own opinion.

COMMISSIONER MacKICHAN: You referred to the fact that probably the relatively small population of Canada in relation to the United States has delayed the introduction of such equipment in bakeries as you mention there, and also in dairy plants, and that our own largely faster increasing population in the last decade makes it more likely there will be more of this type of equipment installed?





MR. MILLING: Well, probably this has been something of a factor. I think it is also true, however, that in the postwar years, at any rate, the rate of population growth in Ontario -- taking one province, and especially Southern Ontario -- has been much higher than the rate of growth in any comparable section of the United States.

COMMISSIONER MacKICHAN: In that particular period?

MR. MILLING: In that particular period, yes. Well, of course, that is the period in which the most rapid productivity developments have taken place in the United States too. I think probably this is true to the extent that as population density increases in an area there will be a tendency for one or two or three leading firms to buy up or put out of business other firms and, therefore, raise their own scale of production to the point where automation becomes economic.

COMMISSIONER WALTON: I have just one question: on page 14, when you were speaking of the part-time employees in the retail chain stores, and you say that in some cases you understand stores employ as many as three part-time to every two full-time workers. In some briefs that have been presented to us, observations are made -- and one statement was made yesterday -- that changing consumer habits in the retail store have indicated







-- and I think it applied to the Toronto area -- that about 70 per cent of the volume of buying by the consumer was done on Thursday and Friday, and you said here that having the part-time employees was a cost advantage to the employer, but I would assume if this great buying was done on Thursday or Friday or Saturday, and not as much on Monday, Tuesday and Wednesday, you still have the same store and you still have the taxes covering the complete week.

MR. MILLING: Yes, you still have the same overhead.

MR. FALLS: Well, first, shopping habits are practically a matter of education, and having worked in the business for thirty years, I find you either get the people to shop on Thursday or Friday night. When it was first brought in in Toronto, it was so they could get away to the cottage on Saturday, and then they had to have Thursday so they could get ready on Friday to leave for the cottage on Saturday. However, basically it was put up for people in the shopping market areas and the people who had their husbands there, and the spontaneous shopping that is done, and it is quite obvious that is where the profit came from. It has been known for a long time that if you went in and bought just what you needed, you would come home with a lot less than most people do. However, the part-time employee, I believe -- and this is my own personal thinking --





is an answer to the unionization of this type of worker. Of course, there is a whole history behind the situation. I happen to be a butcher, myself, and people who are shopping now very seldom see the butcher. In the old days you saw the butcher leaning on a knife and talking to a young lady and telling her how to cook the meat. Today he is working downstairs on productivity -- 40 hours here and 45 hours in British Columbia at far higher rates, and they have girls wrapping; they cut you off four slices or six slices and it is all pre-wrapped. This is another part of the history of the situation.

Another point which must come into this situation is that from a service market, where the butcher services the customer, to a self-service market, your cost per item will go up because of wrapping and the machines required to perform that work. It has been definitely admitted in negotiations between employers and unions that as much as three or four times of the volume can be handled in the same floor space, and when you take that, plus the productivity of the butcher who is now working on production, it is simply staggering in its effects upon the actual cost. When we came home from overseas to the beautiful situation where there was enough meat, and everyone came in at one o'clock on a Saturday and you sold out and locked the door -- everybody was educated to shop at those times.





It was a matter of education that everybody suddenly got the idea of shopping on Thursday and Friday nights.

COMMISSIONER WALTON: I wondered if that would account for these teenagers and part-time workers.

MR. FALLS: That is correct. If you go into the stores today you will find school children sometimes even working straight through the night stacking shelves and going to school the next morning. Whether it is allowable or not, it happens today.

MR. HAMILTON: When you say that large volumes are being turned out on Thursdays and Fridays ---

COMMISSIONER WALTON: No, that statement was made to us yesterday.

MR. HAMILTON: It is being turned out with cheap labour and part-time help. So, the advantage accrues in both ways to the employer: a bigger volume in a short space of time, and he is getting part-time help instead of full-time help.

COMMISSIONER DRUMMOND: On page 1: you referred early, in answer to the Chairman's question, about short-run business decisions. I wonder how long a period you regard as a short run?

MR. MILLING: Well, generalizing, probably up to four or five years. In this particular







paragraph I was thinking mainly of a period during which the industry is incurring heavy capital expenditures. These capital expenditures, at least during the period we are talking about, have had a tendency to be written off very rapidly, as you know. Therefore, short-run business decisions have to be made to accommodate this increased expenditure on one aspect of the business and, of course, that naturally means higher than average returns to one factor of production -- namely, capital.

COMMISSIONER DRUMMOND: In other words, your view is that a period may be sufficiently long to take up a considerable part of the period during which this price spread has been widening?

MR. MILLING: Yes, possibly. Of course, it is very hard to relate these theoretical arguments to what has actually happened in the industry, and certainly difficult to relate it to price changes.

COMMISSIONER DRUMMOND: On this point, on page 14, which Mrs. Walton was asking about, in regard to the use of part-time employees, and later on, on the next page, the trend towards the greater employment of women, you speak of the trend here: have you any thought as to when this trend began, or has it continued, or has it come up over very recent years?

MR. MILLING: According to my information -- and as I say, we don't have documentary evidence --





but the trend to the increased employment of women, to use that specific example, it seems, started around 1950, 1951 or 1952.

As far as part-time workers are concerned, I think you could say pretty definitely that that trend has come and has been almost directly correlated with the growth of supermarkets, and especially with the rapid development of these .changed hours for shopping. Naturally, that leads to an increased use of part-time help in the stores.





COMMISSIONER DRUMMOND: Farm groups have told us that various times and places that the public generally have grown accustomed to expecting cheap food. As I understood your brief, you also told us that farm wage rates have definitely lagged behind rate increases in industries generally. I wonder if you would like to make any comparison or analogy between these two things -- low food cost and lower wage rates?

MR. MILLING: I am not sure whether we can add to what we have already said, sir. It is true people are accustomed, or at least it would be more accurate to say at one time in the past, barely within my memory, people were accustomed to low food costs. I suppose there is a certain amount of hang-over from that period and people today are a little more astonished at prices they pay for food than perhaps is the case in some other products. I don't think that is necessarily so. There is a lot more talk about food prices than other prices, of course. As far as wages are concerned, speaking from our own point of view, we would attribute a good deal of lowness of wages to the relative slowness in development of union organization in the industry which have occurred in the past because of the relatively scattered nature of the industry. You have had a great many small plants serving a relatively small geographical area and they are not too easy to







organize frankly.

COMMISSIONER DRUMMOND: You are referring to the organization of labour. You were referring to the conditions in Ontario only?

MR. MILLING: I was referring mainly to Ontario although the same thing would be true of most of Canada with the possible exception of British Columbia.

COMMISSIONER DRUMMOND: Speaking of this matter of productivity, I was wondering if any of you have anything to suggest in regard to any possible changes that have been taking place in regard to the changes in skill or what we might ordinarily speak of as the proved technical knowledge or ability of the average worker during recent years.

MR. MILLING: Speaking generally of most industries that have introduced new methods, and especially methods which border on automation, although we don't have too much automation as such in Canada, in most industries there has been a tendency to a much greater division of labour than there was in the past. Therefore there is some lessening of demand for certain skills. At the same time I am sure there has been, and will be to a greater extent in the future, a rather rapid increase in the demand for some new skills. For instance, maintenance workers with specific skills will be needed to supervise and to maintain the new





machinery and equipment.

COMMISSIONER DRUMMOND: What I am really asking is whether you feel there has been a reasonable trend towards an abler type of worker.

MR. MILLING: I could not answer that in one word. I think there are these two definite trends. To what extent they offset each other I am not prepared to say. Perhaps some of the people in the industry know better.

COMMISSIONER DRUMMOND: There is one thought that came to me with respect to the dairy industry where the change resulted in letting a lot of men go, what about the relative ability of those kept compared to those let go? Is there any difference?

MR. GORDON REEKIE: I can answer that. There is no actual relativity to their ability or qualifications on the job. In the delivery end it is a matter of one salesman going and another staying. When that happened we were able to negotiate. I believe you were all familiar with the labour dispute. We were able to negotiate that with no actual lay-off and inside of about 14 or 15 months the 125 employees were eaten up. Today is the first time in my recollection of the industry, and I have been in it 30 years, it is the first time there is a lay-off. We ask "Why don't you do the same thing?". They say, "No, we have to cut costs,





F4

the higher production the less employees".

COMMISSIONER DRUMMOND: The final question is to some extent related to this. Would you, or would you not, make any distinction between the phrase "productivity per worker" and "productivity due to a worker"?

MR. MILLING: Of course we would make a distinction. If we were going into a general discussion of productivity there are a great many things I would like to see cleared up. There are a lot of misconceptions about measurement and application of productivity. It simply stands to reason in an industry during a period when mechanization is becoming more general, and in some cases automation, then you will expect an increase in productivity. I am sure a lot of cases point out in the food and beverage industry that it is relatively backward. Using a generalization, there are probably many cases where the individual worker cannot decrease or increase his output by so much as one-half of one per cent. His pace of work, effort, everything else is controlled by the line or machine, controlled by management, not by his own decisions.

THE CHAIRMAN: I did not ask Mr. Kidd to ask you any questions. I felt it would be like talking to himself.

MR. HAMILTON: I was going to ask at







the outset if we could not steal him for the day.

COMMISSIONER KIDD: There is one question. On page 13 in your Table on Financial Summaries, your net profit is the figure after taxes?

MR. MILLING: Yes. It is the figure available for dividends and for calling back of earnings, net figure after taxes.

THE CHAIRMAN: Thank you very much, Mr. Hamilton and Mr. Milling. We appreciated this presentation very much.

MR. MILLING: Thank you very much.

MR. HAMILTON: I take it you wanted a list of the statistics available. We will get that for you.

THE CHAIRMAN: When it is convenient we would be glad to have it. We will adjourn for five minutes before we hear from Mr. Campbell of the Ontario Stockyards.

---A short recess.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2778

ET:12  
9/15

Submission of  
THE COMMISSION MERCHANTS OF THE TORONTO  
PUBLIC TERMINAL MARKET

in co-operation with the  
ONTARIO STOCK YARDS

---

Appearances:

Mr. William Price	General Manager, Black Bros. Commission Agency
Mr. Fred Campbell	General Manager, Ontario Stock Yards

---

THE CHAIRMAN: We shall now hear the submission of the Commission Merchants of the Toronto Public Terminal Market in co-operation with the Ontario Stock Yards, and we have with us Mr. William A. Price, who is General Manager of Black Bros. Commission Agency and Mr. Fred Campbell of the Ontario Stock Yards.

MR. PRICE: Mr. Chairman, Mrs. Walton and gentlemen: The public market system, organized on the North American Continent over the years, evolved on sound fundamental economic principles, has stood firm as the chief medium of exchange of livestock. It is only on a public market that a sufficient volume of many classes of livestock is assembled on which a true price structure can be established.





Public markets have always been developed in areas of largest consuming communities so that processors serving these communities are provided the raw material for their plants. In competition with buyers of all classes of livestock, the processing trades are supplied at a public market place with sufficient quantity from which to purchase their requirements.

From the producer's standpoint, he is assured that the large packers, as well as the small processors, local butchers or export buyers have an opportunity of bidding on his livestock as against a "one-bidder transaction" that might occur away from the market.

The price structure, established at all public markets daily in open competition, is the yardstick for farm to farm transactions or farm to packer private transactions through the entire province. In Ontario, of the total marketings of cattle, approximately 60 per cent currently is being marketed through the facilities of the public market. The remaining 40 per cent is being sold either directly to the packer in the country or through other outlets. It is on the 60 per cent public market receipts that the price is established. The remaining 40 per cent is sold on some basis related to this price.

In a free enterprise structure and, in





particular, livestock production, every livestock producer finds it necessary to market surplus livestock at least once annually. The large-volume producer down to the producer with a few head to sell represent a large group of individuals, all in a common production level but, at the same time, competitors in purchasing and selling of livestock. Therefore, it is essential that a price structure be established on a large volume to provide individuals with knowledge of the worth of their livestock, whether they be buyers or sellers.

The public market not only attracts the processing trade for its supplies but it also serves the farmer or feed lot operator with a supply of unfinished cattle that are not desirable for the meat trade but may be marketed to better advantage to a feeder who, in the course of 90 to 120 days, enhances their value by added finish on the cattle.

In the Province of Ontario, the present public market location was opened for trade August 28, 1903, and during the balance of that year received about 74,000 head of livestock and, for the whole of 1904, about 93,000 head. Volume increased with human population so that, in the year 1957, 878,474 head of livestock was received on the same location.

Based on the figure published in the official Livestock Market Review for 1957, the total







value of cattle and calves marketed through the public stock yards in Ontario plus direct shipments to packing houses and on export was \$112,801,210.00. On the basis of 60 per cent received at the public market, the total value of the cattle and calves offered during 1957 would be \$67,680,000.00, which does not include the value of hogs, sheep and lambs handled through the market.

The nature of demand from the processing trade varies to the extent that the large processor is equipped to purchase and process all classes and qualities of livestock to meet his diversified enterprise; whereas, in many cases, the smaller processor may choose to feature certain classes or qualities of livestock for his particular trade. This being the practice, it is necessary for the small buyers to be able to secure in sufficient volume each week the type of livestock that will assure their customers of a steady supply throughout the year. Each of these small buyers creates competition on the supply available.

The large market assures a volume extended over a week with facilities and services available on a seven-day-per-week basis and trading five days per week.

It might be well to explain some of the operations that take place each day on the public livestock market. Shipments of cattle, calves,





hogs and sheep arrive mostly by truck, handled by the truckers calling at the farms in their particular district to pick up the livestock that is ready to be sold. Sometimes a load may consist of from five to fifteen different farmer owners, each lot being identified separately by the truck driver according to ownership. Usually livestock is loaded in the early morning hours during the week days and, at the end of the week, large shipments arrive on Saturday and early Sunday in readiness for Monday's market which is usually the big market day of the week.

When the shipment arrives at the unloading dock at the Ontario Stock Yards, the driver of the truck consigns the livestock to the commission firm that has been selected to look after the shipment. From this point on, the staff of the commission firm to which it is consigned take over by unloading the livestock and driving it to the allotted sales pens in use by such commission firm. Here, the yard staff attend to feeding and bedding the livestock, getting it ready for sale by sorting each owner's animals separately, as each animal is sold to classification on its own merits in order to bring top price and highest net return to its owner. This is where the sales staff take over. Salesmen are men of long experience who are specialists in selling: some sell steers and heifers,





others sell cows or bulls. Then, there are other salesmen who do nothing but sell sheep, lambs and calves. Each salesman must know the value of the respective animals and who is likely to be the best buyer for the various classes. Every salesman also has to compete against salesmen of other commission firms to secure the highest prices possible for the different classes of animals.

As soon as sale takes place, the animals are driven to the scales operated by employees of the Stock Yard Company. The weighmen weigh, make the scale record as to ownership, weight and price, along with the name of the buyer. The Livestock and Livestock Products Act requires that all weighmen be approved by the Federal Government. Being employed by the Stock Yard Company the weighmen are independent of the buyer or seller.

The operation of 15 sets of scales at Ontario Stock Yards is an exacting part of the programme. Every precaution is taken to secure accurate weights on every transaction. Owing to the sensitivity of scales, every scale is checked carefully each morning prior to the opening of trade. Scales are balanced on every third draft during operation and, in addition, spot checks are conducted by the supervisory force during the day, comparing one scale against the others. At regular intervals, the Weights and Measures







Department conduct a detailed check to mechanism on each scale. Nowhere is there more accurate weight furnished than at the public market. The automatic punch for weight, together with the Apinks Indicator to show publicly the true balance, are both features that add further to the confidence of true weight on the scales.

The scale ticket is recorded in the office of the commission firm who mails a complete statement of record, along with cheque in full settlement for the sale of the animals. This cheque is issued on what is known as a "Shippers' Trust Account" operated under the supervision of the Dominion Government and fully guaranteed by the bond which each commission firm must retain.

Thus, the producer is assured of the utmost net results for his livestock with a very small charge for the service; actually about  $1\frac{1}{4}$  per cent of the sale value of the animal. (This is surely a minimum marketing cost for any commodity, which many large companies would envy.)

If a shipper should desire to sell and handle his own livestock to save the selling charges, he is quite at liberty to do so; but it speaks volumes for the respect and confidence that patrons of the public market have for the various livestock sales agencies that no shipper takes advantage of this privilege and that 100 per cent of the receipts





on the open market are sold by one of the seven registered, licensed livestock sales agencies.

Cost for use of market facilities is reasonable. There are two fees assessed against sales made on public markets; one, the yardage fee, collected for the Stock Yards Company, covers use of all yard facilities and services such as unloading chutes, pen accommodation, water, scales, weighing, feeding, etc. Yardage fees on stock received off truck are as follows:

Cattle	70¢ per head
Calves	40¢ per head
Sheep	18¢ per head

In order to protect the shipper against any loss due to fire while animals are on the Stock Yards' premises, there is a premium payable of  $\frac{3}{4}$  cent per head on cattle and  $\frac{1}{3}$  cent per head on small stock.

If feed or bedding is required, this is supplied by the Stock Yards Company at an additional charge.

Commission merchants charge a commission fee for use of their services. These fees cover unloading of stock at the receiving gate, delivery to sales yards, watering, feeding if necessary, selling, delivery to scales, making up statement of sales, guaranteeing payment to producer and, in most cases, handing of a cheque to producers on





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2786

which no bank exchange charge is payable. Commission fees applicable against deliveries off trucks are as follows:

Cattle, \$1.65 per head (25 head and over  
\$1.40 per head)

Calves (under 300 lbs.) 70¢ per head

Calves (305 to 400 lbs.) 1.00 per head

Sheep or Lambs .35¢ per head.



H  
JO/L  
16/9



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2787

Market costs, expressed as a percentage of selling price in the case of choice steers, at current market prices, work out to something less than 1% of selling price. A top bologna bull may be sold on the market with a marketing cost of  $\frac{3}{4}$  of 1% of selling price. Because charges are assessed on a per head basis, a different percentage would apply on classes having a different sales value. On an average, it is estimated that the total cost of selling cattle through Toronto market would work out to about  $1 \frac{1}{4}\%$  of selling price.

Percentages are worked out on the basis of a new rate schedule which went into effect August 4, 1958. Rates were revised for the first time since 1951. The changes were moderate; commissions for selling cattle for example were raised from \$1.50 per head to \$1.65 per head, an increase of 10%.

Under The Live Stock and Live Stock Products Act, special regulations respecting operations of Stock Yards are issued. Section 13 of PC 4298, issued under date of September 1948, reads as follows:

"A (Stock Yards) proprietor shall not  
"permit a commission merchant or  
"co-operative association to operate  
"on his stockyard until advised by the  
"Minister that security as required by







"Section 20 of The Act has been deposited  
"with the Department. Such security shall  
"be a guarantee bond of a surety company  
"approved by the Minister in the sum of  
"\$10,000 payable to Her Majesty the Queen  
"and conditioned upon proper accounting and  
"payment by such commission merchant or  
"co-operative association of all monies  
"obtained from the sale of or to purchase live  
"stock and the payment of all properly authori-  
"zed charges for services rendered."

Stringent regulations are set forth under Section 17  
of the regulations under which Trust Accounts are  
to be operated. Commission merchants' Shippers  
Trust Account records are subject to regular audit  
by an official of the Federal Government. The  
Live Stock and Live Stock Products Act and Regu-  
lations are designed to make sure that the patron  
of the Public Market receives payment in full for  
any live stock handled by a commission merchant.

In order to further ensure financial  
protection of the shipper to the public market,  
regulations call for the bonding of all regular  
purchasers with the Toronto Live Stock Exchange  
(the regulatory body on the market) in a sum large  
enough to ensure that no buyers' purchases if un-  
paid will result in a loss to a shipper. No  
shipper to Toronto market for more than 25 years





has failed to receive payment in full for any live stock handled on the public market at Toronto.

No other live stock outlet in the Province of Ontario provides the type of financial security to producers as exists at the Ontario Stock Yards.

The question is sometimes asked: "How is it possible to have a uniform price level throughout the entire market when it covers such a wide area and involves a large number of transactions?" Operators on the market exchange views on prices and trends from time to time. Each trading day at a stipulated time, a siren is rung, and salesmen, buyers and other interested parties gather at a designated spot in the yards. The meeting is presided over by the official live stock reporter in the employ of the Federal Department of Agriculture stationed at the market. Everyone has an opportunity of expressing his views which are summarized by the live stock reporter. Such information is then disseminated throughout Ontario and Canada with the co-operation of radio stations and newspapers.

In addition to these official live stock releases, as part of their regular service, live stock commission merchants on the public market, through the medium of weekly market reports, radio broadcasts, special letters, telephone calls and special trips to country points keep clients well





advised on market conditions and trends. This has a stabilizing effect on the market receipts.

It is deemed an honour to be afforded the opportunity of presenting even briefly a few of the services available which it is believed make the public market an integral part of the Canadian agricultural economy in respect to live stock and live stock products.

THE CHAIRMAN: May we ask you a few questions?

MR. PRICE: Yes.

THE CHAIRMAN: Mr. Drummond.

COMMISSIONER DRUMMOND: I wonder, first of all, if you could make clear to the Commission what is meant by the livestock company? The Exchange or yards are actually owned by the company?

MR. PRICE: Sir, basically, I think probably there are three individuals or organizations involved. One is the Ontario Stock Yards Company, which operates the stock yards. The Stock Yards Company is owned by the Province of Ontario -- by the government -- and is operated by a Board made up mostly of livestock producers.

Another body is the Livestock Commission Agent who operates on the market under an agreement with the Stock Yards Company, and who performs a service of either selling or buying livestock for farmers' clients for a Commission fee, and the







Toronto Livestock Exchange, to which reference was made, is a body formed to regulate trading practice on the market and issue certificates and each salesman on the market must purchase one of these certificates before he is permitted to operate on the market. Does that answer that?

MR. CAMPBELL: Just to add to that, sir. The public market, I believe, is defined as a place where two or more firms are in the business of selling livestock or the Commission business, and it is required that the Livestock Exchange be in operation to conduct the affairs of the selling agencies of that market.

COMMISSIONER DRUMMOND: Near the top of page 2, you state that the present market was opened in 1903. Who was it actually opened by?

MR. CAMPBELL: Mr. Allen was the President of that company and it was called the Western Stock Company. They had purchased land from the Village of -- I don't know whether it was called the Toronto Junction or the Junction of Toronto -- but a group of individuals, one of the Eatons at that time was on the Board -- he was a shareholder -- and other interested people in the City of Toronto, who felt there should be a public marketplace for livestock were instrumental in getting the company organized in 1903.

Then, it was reorganized in 1908 following





a disastrous fire, and then it has gone through the process of different changes until the Ontario Government expropriated the yard in 1944.

COMMISSIONER DRUMMOND: When we speak of the company, would you say it is more or less a closed corporation, or are the shares widely spread?

MR. CAMPBELL: Actually, the words "company" should not have been used in the brief. It should have been Ontario Livestock Board. The Ontario Government purchased -- expropriated the yard from the United Livestock Corporation firm, operating with its headquarters in Chicago, in 1944 and bought off the shareholders.

COMMISSIONER DRUMMOND: You give us some interesting figures here showing the percentage of cattle which are marketed through the facilities of the public market and those that are marketed otherwise. Have these percentages been changing, say, in the last decade or so?

MR. CAMPBELL: The cattle have changed very little. They have, if anything, dropped about 3 per cent in the past seven years. The other classes of livestock have remained fairly constant -- calves have been around about 50 per cent, 51 per cent; lambs, about 33 per cent on the public market, as against direct buying. That is practically owing to the fact that in many cases lambs are





fed in large feed lands by the processor himself.

COMMISSIONER DRUMMOND: In this connection, it is generally realized that the percentage of hogs sold through the market has become relatively small. Is that correct?

MR. CAMPBELL: It was down to about 8 per cent arriving at the public market. It now stands at about 20 per cent coming to our market, for a total of hogs marketed in Ontario. That is an approximate figure -- 208,000 marketed from the 1st of January of this year to the end of August, which was about as many hogs as we had in the year 1952 in the entire year.

COMMISSIONER DRUMMOND: What is the explanation of this fact, this apparent fact, that a large percentage of cattle continue to be marketed on the public market, whereas the percentage of hogs so marketed has become relatively small?

Perhaps I could put it another way. Just take the cattle situation alone. Why has the percentage remained as high as it is?

MR. CAMPBELL: There are very many different grades of cattle. Possibly, I should have Mr. Price answer this. There are so many grades of cattle appearing on the market, all of which are edible. The quality is different, and they fit into different trades.

By the same token, there are cattle appearing, as we have mentioned in the brief, that a





packer feels that he would have to buy much cheaper because they lack the quality, or lack finish, rather, where any feeder or farmer operator would come on the market and say, "These cattle, in 90 days or 120 days would grade Red Brand, or a high Blue Brand quality. We hope we can make a profit. If so, we will bid just a little bit more. We can buy more possibly than the processor can and gamble--", if you can use the term in making a profit -- "during the 90 to 120 days".

That is one phase of it. I would say chiefly because the cattle go into different grades. Even on finished hogs, for example, are sold on a dressed grade basis, and standard weight being around 210 lbs., or thereabouts. And, for that reason, they have drifted into processing trade, because they settled on, after they have been killed and graded by government graders. Cattle -- they are still sold on their merits as to what those cattle might dress out and it may be different even in a load of cattle. There is a much higher value in the animals involved as against in hogs, too.

COMMISSIONER DRUMMOND: You mentioned at one point in the brief that it is necessary to have a fairly large volume of the different kinds of stock available in order that the smaller purchasers may be able to get the particular brands







they require? That statement would not apply in the case of hogs, would it?

MR. CAMPBELL: No. Certain buyers may, in their trade, develop a clientele or group of customers that can feature certain classes of meat, and they concentrate on that particular feature that they have, and they endeavour each week to get sufficient quantity of that quality to keep that customer evenly supplied throughout the year.

The large processor handles that same quality, but handles all qualities. He is equipped to handle that.

COMMISSIONER DRUMMOND: We speak of shrinkage of livestock on route to market. We hear a great deal about shrinkage in the case of hogs. Is there anything like a corresponding figure in the case of cattle?

MR. CAMPBELL: We have no figures on that -- work that has been done by research people, specifically in Canada -- that I know of, but, in the University in Illinois and Iowa and Indiana, work has been done along that extent. Between 50 and 60 per cent of the shrinkage, according to their figures, appears at the loading, and the first ten miles of the journey. Beyond that, the shrink diminishes down. The same thing applies with cattle. The larger shrink is in the first ten or fifteen miles.





They have had trucks equipped with scales that weighed cattle from the feed lot, right after they were loaded, before the trip was started, and then at five or ten-mile intervals, going up as high as 200 miles, to market. But, the biggest shrink comes in the first ten or fifteen miles. The cattle settle down after that period of time.

COMMISSIONER MARTIN: Is it also true with calves?

MR. CAMPBELL: The principle holds really true with all classes of livestock. Calves might taper off a little in their shrink. You are speaking of veal, now?

COMMISSIONER MARTIN: Yes.

MR. CAMPBELL: I would think that calves would have a more gradual shrink-through, because they are nursing at the time they are being marketed, and if they are not sold in a period of a few years, the shrink begins to add up pretty quickly. Other livestock, on hard feed, is a little different type of proposition.

COMMISSIONER DRUMMOND: Is it a fact that not all of the processing plants scattered around Ontario are actually equipped to process cattle, whereas they are to process hogs?

MR. CAMPBELL: Just whether they are equipped to process cattle -- not all of them do process cattle. Just -- we have processing plants





that process only hogs, but, beyond that, the other plants will process all classes of livestock, if there are any other classes.

What I am meaning to say is if they are killing lambs and calves, they usually kill cattle and hogs. Some of them don't kill hogs at all, but feature on cattle.







Y/jp

6/9

ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2798

COMMISSIONER DRUMMOND: Would it be correct to say that there is greater concentration of cattle slaughter in the vicinity of Toronto than of hogs?

MR. CAMPBELL: I couldn't give you that. We estimate 60 per cent of the hogs are killed in Toronto. We have always taken it at about 60 per cent of the cattle or better are killed in Toronto. I would say more than 60 per cent of the cattle are killed in Toronto.

COMMISSIONER DRUMMOND: Just one other factor on the same question: Is it a factor that a considerable percentage of the cattle sold in the market here come from Western Canada, whereas that is not true in the case of hogs?

MR. CAMPBELL: At the present time - I am speaking currently now - by far the largest percentage of cattle being sold are Ontario cattle, which may have originated from Western Canada. In the last few years the feeder cattle from the West have gone across the line from Western Canada, so we are not getting that supply. Our largest percentage of cattle are Ontario cattle, wouldn't you say so, Mr. Price?

MR. PRICE: Yes. It might help to point out here that we do have a problem in Ontario because of the large volume of cattle in the Canadian





West. The cattle are produced in the West, but the major consuming centre is in the East, and we do have large car lot numbers coming down in the live state from the Canadian West and also in the shape of beef. So, that is a factor which those operating the stock yards must have constantly in mind and strive to keep themselves well informed on that.

MR. CAMPBELL: I would think the number of cattle coming down as slaughter cattle from Western Canada to our market is less than it was a few years ago.

MR. PRICE: It is 20,000 less, up to the end of August, than it was a year ago.

COMMISSIONER DRUMMOND: On page 3 you say, "The driver of the truck consigns the live stock to the commission firm that has been selected to look after the shipment." Why would he select the commission firm?

MR. PRICE: Actually, as we point out in the brief, there are seven commission firms. So, it is a very highly competitive business, and he bases his selection, I would say, on previous experience at the market, or possibly on some form of advertising which he may have received, through radio broadcasts, for example; or, I think a lot of them perhaps base their selection on what their neighbour does - the commission firm he has probably heard of.





COMMISSIONER DRUMMOND: The actual selection is made by the farmer?

MR. CAMPBELL: Not always.

MR. PRICE: Usually the live stock trucker is a key man in the community, and he wields a great deal of influence, speaking to the farmer and influencing him to go to the commission firm not necessarily of the farmer's choice.

MR. CAMPBELL: In a good many cases the farmer indicates which firm to go to, and in other cases he leaves it to the trucker.

COMMISSIONER DRUMMOND: A little further down the same page you say, "This is where the sales staff take over". You have seven commission firms, and you also say that there is a great deal of specialization selling, in this kind of live stock and some in others: What would the total sales staff be roughly?

MR. CAMPBELL: About 50, I would say.

COMMISSIONER DRUMMOND: You mention that farmers actually have the option of doing their own selling, but there are disadvantages in this: Is there any reason, apart from the fact that you have specialized salesmen to do the job, that accounts for this?

MR. CAMPBELL: Well, I think while they have that privilege of selling their own live stock, and it is in the Livestock and Livestock Products Act,





we also have it in the tariff: When a farmer sells his own live stock on the market, then he has to run his chance on whoever he sells that live stock to having the money to pay for it. He does not have the protection of the bonding and financial security that goes with the clearing of the live stock. If he sells to someone he is not familiar with, then he runs the chance of having difficulty in getting payment, at different times. He loses that financial coverage that he gets under bonding and so forth with the commission firms.

COMMISSIONER DRUMMOND: You have seven commission firms at the moment: Is that any less than you had, say, ten years ago or so?

MR. CAMPBELL: One more.

COMMISSIONER DRUMMOND: In that group you have included one co-operative commission firm?

MR. CAMPBELL: Yes, one co-operative commission firm. Actually, the Hog Producers Co-operative is listed with us as well, as a commission firm, making eight.

COMMISSIONER DRUMMOND: You have these two types of fees: The yardage fee and commission and selling fee. From your brief it is reasonably clear as to where the functions of the stock yards proper begin and end, and where the others begin: Perhaps you could give us a little bit further detail on that? What I really want is the dividing line between the







two.

MR. CAMPBELL: That is pretty clearly defined in our operation day by day, but I don't know whether I can explain it as clearly. The stock yards Board, in our case, and the other companies, own the facilities; they provide the accommodation for weighing, supply the food, they unload the live stock off rail, and live stock that is passing through the terminal market for food and rest. According to the regulations by the railways, they must stop every 36 hours for food and rest; we provide that service for the handling of live stock across Canada, and we have the overhead of lands, buildings, and taxes, and so forth that go with the operation. The weighing, for example, is independent of buyer and seller. The stock yard company has always been given that responsibility of weighing live stock after it has been sold by the commission firm and purchased by the packer. We hold that live stock until such time as they release it. In other words, they say, "This live stock has been paid for", and then we release it. We supply the water, as I say, and so forth, that go with the facilities, keeping it clean and disinfected, and on that basis we charge a fee.

The commission firms are responsible for the selling and care of the animals, while in their jurisdiction to sell, and they are also responsible





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2803

that the farmer who delivered them there is paid in full for his live stock regardless of what is happening in the course of the sale. A record must be kept of every transaction. We keep a record of every transaction in the yard for ten years through our scale ticket operation, and the commission firm is the same.

COMMISSIONER DRUMMOND: In respect of both these types of fee, you charge so much per unit: I know there has been consideration from time to time given to other bases of charging - in other words, a percentage: Can you give us very briefly some of the reasons why that particular method has not been favourably considered?





IC/L  
6/9

MR. CAMPBELL: No. 1, it is a rather complicated method. Our sales are on the basis of about 1.7 mills per draft or sale. We have weighed as many as 6,000 cattle in a day which would have to be computed on a percentage basis to figure the fees. Secondly, on the uniform type of fee it is a little bit easier type of trading to police than it would be to audit or examine their statements day by day to see whether a man was ever charged, or what the case may be. His is a definite set fee based on about what the service would cost so that for the animal, regardless of value, it will even out to somewhere close. As I say, it is a much easier method to check from an administrative standpoint.

COMMISSIONER DRUMMOND: It does have this disadvantage, I expect, of costing more to the person who has a lower quality animal.

MR. CAMPBELL: That is possible, yes.

COMMISSIONER DRUMMOND: On page 6 when you speak about the entire market you are thinking of the entire market at the stock yard?

MR. CAMPBELL: Yes. In talking with the farmers and shippers they indicate certain outlets they might sell livestock through. Take the figure of 24 cents. Maybe some cattle sold for 24 cents. You immediately state, "Now, there were only half a dozen cattle sold at 24 cents. We don't know whether







that represents what ours might have brought on the market." When the price is quoted as 24 cents on the public or terminal market we know a large enough number have been sold at that price, otherwise they could not quote it. We would know if our cattle are that quality that is about what they would be worth. If it were a smaller outlet we would not be sure whether it was 23 1/2, 24, or 23.75. On a carload of cattle weighing a thousand pounds apiece that could amount to quite a lot. He likes to know the price quoted is 24 cents for top steers then he knows a sufficient volume have been sold at that price and he can get just about that price for them.

COMMISSIONER DRUMMOND: You indicate here you have facilities for a daily meeting of the parties concerned to consider the price situations.

MR. CAMPBELL: The method of handling market reports we think is very, very sound. If one individual is asked to quote on a market price he may be over-optimistic or over-pessimistic, which could influence the price one way or the other. In the meeting of buyers and sellers, each in discussion, when the price of a certain quality is discussed and one person is over-optimistic the other says, "That is not it. You may have sold two or three like that but a lot more were sold at a quarter





less". By gradually going up and down they agree that such and such was about the average for that quality of product sold. It avoids any possibility, as I say, of someone individual being over-optimistic or over-pessimistic which could influence the market greatly.

COMMISSIONER DRUMMOND: That is all, sir.

COMMISSIONER WALTON: I was wondering on these trucks that pick up the cattle, are they Commission agents?

MR. CAMPBELL: No, they are in the transportation of livestock from the farm to the market. They are a separate unit entirely. They are licensed by P.C.V. licence within the province to draw livestock within a certain area to the market. There is no specific regulation as to where they must deliver unless the farmer has any agreement with them.

COMMISSIONER WALTON: What about packing charges? Those are over and above?

MR. CAMPBELL: They are over and above. The price figures we have given you is what happens after they arrive. Trucking charges vary, of course, with the class of livestock and the distance, somewhere around 50 cents a hundred or thereabouts -- 40 to 50 cents per hundredweight. That is about the trucking charge. They may pick up one animal from a farmer or truckload, depending what he has ready.





COMMISSIONER WALTON: You have indicated in your negotiations you more or less set the pattern that the packers pay for the same quality of livestock.

MR. CAMPBELL: Yes, through competition on the market. The large processor bidding against the small processor. Also there is the bid of the man who watches the prices and says, "I can take them home for that money and put more weight on them". Those three factors of competition influence the price paid on the market.

COMMISSIONER WALTON: There are one or two provinces that don't have the same type of thing. To your knowledge where there are no public stock yard facilities available, and perhaps the processor is buying direct and that is the only outlet for the farmer, does the Toronto quoted price have any bearing on, for instance, the Atlantic Provinces?

MR. CAMPBELL: Yes. All quoted prices, it might be Calgary, Edmonton, Winnipeg, or Toronto could influence this and must influence them to some extent because there is a product to sell. Otherwise if he is too high in his price on livestock his competition can move by transportation the finished product from this province and offer it for sale. He must buy in some relation to the quoted price.

COMMISSIONER WALTON: I was thinking of





the provinces where there is the situation. Do you know whether the prices tend to be a little lower where the processor is his only outlet?

MR. CAMPBELL: I would not want to answer that without having the figures at hand. I know of two provinces where there are two markets. I know the two markets have influence over the province. The prices have to be somewhere close.

COMMISSIONER WALTON: Thank you.

THE CHAIRMAN: Are there any other public auction markets for livestock in Ontario?

MR. CAMPBELL: There are about 60 licensed auction markets in the Province of Ontario for selling livestock. They are one-day markets. They meet sometime in the afternoon or evening and sometimes during the day. They are located in the various parts right from Windsor to the Quebec border. They are not under the Federal Jurisdiction, they are under the Provincial Jurisdiction. In many cases these have served a very useful purpose in the transfer of farm to farm livestock. In many cases the drover used to go through the country buying livestock from farm to farm. We find that farmers and neighbours sometimes don't like to price livestock to each other. They feel free if they bring them into the local auction which is held one day a week, they feel no embarrassment that the pricing is too high or too low







K6

to a neighbour of theirs. They just buy in competition with someone else. It is a medium of farm to farm trading. In the selling of slaughtered cattle in any large quantity they so far have not had the volume to any great extent. They are only offering the service to the community one day a week and it does not add too much towards the processing of meat animals.

COMMISSIONER WALTON: Which is your busiest day in Toronto?

MR. CAMPBELL: Monday is the busiest day and then Tuesday and Wednesday. Then it more or less tapers off to the end of the week. We would much prefer, I think the whole trade would much prefer to see the business even out over the week. Every big market in North America is faced with the same problem of a big run on Monday and then it tapers off.

THE CHAIRMAN: How many buyers would you have in the market on Monday?

MR. PRICE: I would say first of all we should perhaps define what you mean.

THE CHAIRMAN: How many buyers would you have bidding on livestock on Monday?

MR. PRICE: We did check that. This count was taken in the fall of the year. It was something more than 100 at that particular time. That is individuals who had made purchases on that





particular day.

THE CHAIRMAN: Did that drop off during the week?

MR. PRICE: That would be the first of the week. That would be the first of the week where we had the largest volume, yes.

COMMISSIONER DRUMMOND: On a normal day I suppose the number of buyers would not be too much?

MR. CAMPBELL: Oh, fifty buyers.

COMMISSIONER DRUMMOND: If you had this evening out over the five-day week, do you feel you would have a sufficient volume in each of the five days?

MR. PRICE: If we had the same volume we have now spread out over the week, it would do a great deal toward easing the whole situation. The livestock would not be held as long before being processed. The difficulty lies in the fact that on Monday there is the labour force to look after and he is afraid the receipts might be down on Wednesday. He is going to buy all he needs on Monday. He is fearful he cannot meet his trade at the end of the week.

COMMISSIONER DRUMMOND: There is one other thing you mentioned. You said you revised your rates for the first time since 1951 in 1957. What was the basic explanation of that rise?





MR. CAMPBELL: Higher costs.

COMMISSIONER DRUMMOND: Of what?

MR. CAMPBELL: Labour in our case, labour and overhead. We are under the United Packing House Workers Union and there have been increases in the cost of labour. In 1951, our hourly rate on the yard was \$1.09 and at the present time \$1.56 is the base rate. That has added to our cost tremendously.

THE CHAIRMAN: Have you changed the cost of feed?

MR. CAMPBELL: It has stayed fairly constant. We haven't changed on the price of feed. There are some years when the merchant is cut down tremendously. We have never added costs to the producers on feed. The cost of feed in our case is the cost delivered to the barn plus the handling of feed and commission per mileage. Sometimes when one animal is left in the pen twenty lbs. of feed might be ordered for the animal and there is the cost of handling, plus storage and so forth. No grain is fed to the cattle on public market.

THE CHAIRMAN: Thank you very much, Mr. Campbell and Mr. Price, for being here. We will now adjourn until this afternoon.

---(Whereupon this hearing adjourned at 12.30 p.m., to resume at 2.00 p.m.)





IT/jp  
AA  
16/9



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2812

SUBMISSION OF  
YORK TRADING LIMITED

Appearances:

Mr. H. R. Berg                      - General Manager

THE CHAIRMAN:    The first presentation this afternoon is on behalf of York Trading Limited, and Mr. H. R. Berg, who is the general manager, is present. Mr. Berg, if you would like to move up to one of these chairs. I would like to say that we are grateful for the co-operation of your office. We sent you earlier a very lengthy questionnaire, and we appreciated your willingness to complete this and send it back to us eventually. However, we are pleased also to have you here today. We understand you have no written submission.

MR. BERG:    That is right.

THE CHAIRMAN:    We will be glad to ask you a few questions just so that we can get to some understanding of the nature of the business and operations. I am going to ask Mr. Drummond if he will start off, and see where we can go from there.

COMMISSIONER DRUMMOND: Mr. Berg, perhaps you could give us very briefly a little bit of the history of York Trading. I understand it was a wholesale firm.

MR. BERG:    That is right.





COMMISSIONER DRUMMOND: Engaged in whole-sale business to begin with?

MR. BERG: That is right.

COMMISSIONER DRUMMOND: Could you trace from say that stage up to the present very briefly for us?

MR. BERG: I have only been with the company since the 1st of September last year. From my knowledge of the company, I know the operation being a wholesale company with seven branches in the Province, and serving independent grocers, with a limited number of voluntary food stores under their Superior and Carload name.

COMMISSIONER DRUMMOND: You operate Carload in Ontario?

MR. BERG: That is right.

COMMISSIONER DRUMMOND: Under an Ontario Charter?

MR. BERG: That is right.

COMMISSIONER DRUMMOND: Your firm is known as what is sometimes called a sponsoring firm; is that correct?

MR. BERG: Yes.

COMMISSIONER DRUMMOND: What does this word "sponsoring" really entail?

MR. BERG: Well, the stores that we sponsor use our name in addition to their own over "Carload" or "Superior", depending on the type of





store and the volume of business that they do. We supply them with advertising material as well as a certain amount of newspaper advertising, window posters, and material of that type, and give them a line of merchandising plans with them, such as specials in storage material, and supervision.

COMMISSIONER DRUMMOND: Who takes the initiative in establishing connection between the independent grocery store and your company?

MR. BERG: Well, normally we do. There are cases, of course, where some of the independent persons want to become part of the chain and approach us, but I would say for the most part the approach is from the company to the independent grocer.

COMMISSIONER DRUMMOND: When your company starts out to enlist the co-operation of the independents, what basis or criteria do you use in selection?

MR. BERG: Well, the volume of the store is of course one of the first considerations. The type of the store that it is. What their facilities are. Whether they handle a complete line of food products, such as a complete line of meat, produce and groceries. Those are the main things. Of course, the type of person who is operating the store.

COMMISSIONER DRUMMOND: You more or less





thoroughly investigate?

MR. BERG: That is right.

COMMISSIONER DRUMMOND: Would the matter of volume be a pretty important thing?

MR. BERG: Yes.

COMMISSIONER DRUMMOND: I understand that some of the sponsoring wholesalers tend to concentrate more or less on the larger -

MR. BERG: There seems to be both in operation. In our own case, our Carload stores are the larger stores, and the Superior stores are the smaller stores.

COMMISSIONER DRUMMOND: What is the significance of this word "Carload"?

MR. BERG: I do not know. That is a word that was coined I guess by the previous management of the company.

COMMISSIONER DRUMMOND: You call them Carload Grocerterias and Superior Stores?

MR. BERG: That is right.

COMMISSIONER DRUMMOND: To what extent do you actually own -

MR. BERG: We do not.

COMMISSIONER DRUMMOND: None at all?

MR. BERG: No.

COMMISSIONER DRUMMOND: You do own the name?

MR. BERG: Yes.

COMMISSIONER DRUMMOND: How long since your







firm started this sponsoring?

MR. BERG: I cannot tell you exactly, but my understanding is that they were one of the first of the wholesale houses to start a voluntary group of stores, and originally, I am told, the people who became members of the voluntary group also owned some stock in the company, but that is no longer the case.

COMMISSIONER DRUMMOND: Is there no such thing as optimum number of stores that you want to have under your control? You are interested in increasing the number?

MR. BERG: That is right.

COMMISSIONER DRUMMOND: Is there any particular section of the Province that you would either stay out of or prefer to go into?

MR. BERG: Well, we are confined to the area which we can serve economically. The branches that we can operate. The central part of Ontario.

COMMISSIONER DRUMMOND: Your headquarters?

MR. BERG: Our headquarters are in Toronto.

COMMISSIONER DRUMMOND: What about the distribution of the products from your headquarters?

MR. BERG: What do you mean?

COMMISSIONER DRUMMOND: The units. You do not undertake any physical - -

MR. BERG: Distribution of goods?

COMMISSIONER DRUMMOND: Yes.





MR. BERG: Oh, yes.

COMMISSIONER DRUMMOND: How is that undertaken? Do you do that with your own facilities?

MR. BERG: Oh yes, with our own trucks.

COMMISSIONER DRUMMOND: How about the actual mileage that products have to be hauled today as compared with say five or ten years ago?

MR. BERG: Well, I do not think there is very much difference in that length of time. There was a time considerably prior to that when the wholesalers served the customers at greater distances, and a lot of it was done by rail in earlier days. Nowadays, I think I am safe in saying that it is all handled by truck in this part of the country at least, and the distance you serve is governed by the economy of service.

COMMISSIONER DRUMMOND: You tend to keep your stores within a fairly limited range.

MR. BERG: Yes.

COMMISSIONER DRUMMOND: Therefore the average mileage does not tend to increase too much?

MR. BERG: No.

COMMISSIONER DRUMMOND: How do you decide the terms or the arrangements that you enter into with these independent stores? Is it a pretty standardized pattern?

MR. BERG: You mean with our voluntary groups?





COMMISSIONER DRUMMOND: Yes.

MR. BERG: Yes, it is.

COMMISSIONER DRUMMOND: You simply come forward with a set of conditions, and they either accept or reject them?

MR. BERG: That is right.

THE CHAIRMAN: What proportion of your business is done with your sponsored stores and how much with independents?

MR. BERG: I have not any definite records on that. Our sponsor group is comparably small, confined almost entirely to the Toronto Branch, whereas a large proportion of our business is done with people who are not part of our operation.

COMMISSIONER DRUMMOND: Does your control over your stores, does that include control over their price policy?

MR. BERG: We only suggest it. We do not require them to maintain the price except on items that are advertised.

COMMISSIONER DRUMMOND: What proportion of prices are normally advertised?

MR. BERG: As a rule from four to six each week. That is to say, special prices.

COMMISSIONER DRUMMOND: Do you tend to vary those?

MR. BERG: Oh, yes.







COMMISSIONER DRUMMOND: We have heard a great deal of this nature of this retail business and wholesale business. What particular forms of competition do you mainly rely upon to expand in volume?

MR. BERG: Well, we have to rely almost entirely on price and services.

COMMISSIONER DRUMMOND: What all would be included under the terms of service?

MR. BERG: Well, the type of delivery we can give them; the uniform time of delivery, and things of that sort.

COMMISSIONER DRUMMOND: We have understood that historically businessmen generally relied on price appeal and quality appeal and perhaps service appeal, and we have been told that more recently there are other types of appeals used. Would you comment on that?

MR. BERG: I do not know just what is meant by that. We have no other type of appeal that I know of.

COMMISSIONER DRUMMOND: You are, of course, interested in the wholesaling end primarily.

MR. BERG: Yes.

COMMISSIONER DRUMMOND: And you would not be interested in the firm practice of the retailer in offering a variety of coupons and package appeal and what not?





MR. BERG: I would not say we would not be interested in them because they develop some type of merchandising or some plan that is going on, to improve our business and improve their business - do you mean we sponsor anything of that type? - No.

COMMISSIONER DRUMMOND: In your opinion do you think those particular types of appeal - you know what I mean - do you think they actually do result in expansion of sale and therefore indirectly to you?

MR. BERG: Yes, I should think they do.

COMMISSIONER DRUMMOND: In total?

MR. BERG: I do not know. That is a difficult question to answer whether it goes to the people who do the best job of promotion and takes away from the other person - that is something I would not try to guess.

COMMISSIONER DRUMMOND: In other words there is that problem of deciding whether these appeals do result in an expansion in total to food consumption - purchases - or whether it is a matter of going from one to the other.

MR. BERG: That is something that I would not want to say.

THE CHAIRMAN: We had a witness here the other day who said when somebody develops a fancier package than he has, he has to protect himself by





having just as fancy a package. He said it is all very stupid. Would you agree with that?

MR. BERG: I do not know whether I would call it stupid or not, but I think he is faced with that necessity of trying to meet -

THE CHAIRMAN: The implication was that it does not sell any more product and this is a point which is of considerable interest to us.

MR. BERG: I do not know. I suppose it could very well switch from one sale - from one type of product to another.

COMMISSIONER MARTIN: Or one brand to the other.

MR. BERG: But to what extent I would not be prepared to even make a guess.

COMMISSIONER DRUMMOND: Why do you think in actual fact practice this has ever been necessary?





MR. BERG: Well, everybody is struggling for more volume. That is the reason these things are done -- to give you a larger volume of business.

COMMISSIONER DRUMMOND: Do you think that that particular trend of appeal is more effective in achieving that objective than a price appeal?

MR. BERG: I think the two have to go together. I don't think any one thing -- it has got to be a combination of things.

COMMISSIONER KIDD: I am just wondering where your company fits into the overall picture in this province. Can you give us any estimate of that?

MR. BERG: You mean our relation to the other wholesalers?

COMMISSIONER KIDD: In size?

MR. BERG: In size, I don't know. I think we are considered one of the larger ones. Just where we fit into the picture I am not sure.

COMMISSIONER KIDD: I think Dr. Stewart asked you this question partially, but I could rephrase it. Do you sell to any companies other than your associates?

MR. BERG: You mean other than our voluntary group?

COMMISSIONER KIDD: Yes.

MR. BERG: Oh, yes.

COMMISSIONER KIDD: You do?

MR. BERG: Yes.







COMMISSIONER KIDD: To the independents?

MR. BERG: Yes.

COMMISSIONER KIDD: Do you exercise any selection over the products that you require to be handled by the independents?

MR. BERG: No, no.

COMMISSIONER KIDD: Do you buy on the same market as the chain stores?

MR. BERG: Yes.

COMMISSIONER KIDD: Have you any firms which are suppliers of products to you -- private brands?

MR. BERG: A few.

COMMISSIONER KIDD: Do they supply -- do those people supply to others than your own company?

MR. BERG: Yes.

COMMISSIONER KIDD: You don't know them?

MR. BERG: No.

COMMISSIONER KIDD: How is that done?  
On a brand basis, or what?

MR. BERG: Yes.

COMMISSIONER MacKICHAN: These three different names -- Carload Groceteria, Superior Stores and Dominion Hardware Stores -- is hardware the bulk, or fairly large in your business?

MR. BERG: We are not in the hardware business any more. That charter is being transferred to another company. We have been out of the





hardware business for some time.

COMMISSIONER MacKICHAN: Mutual Shoe  
Stores?

MR. BERG: Same.

COMMISSIONER MacKICHAN: The same?

MR. BERG: Yes.

COMMISSIONER MacKICHAN: I am just wondering if those were regarded as having a higher mark-up and helping along in your business?

MR. BERG: We are only in the grocery business now.

COMMISSIONER MacKICHAN: I see. Specializing in that?

MR. BERG: Yes.

COMMISSIONER MacKICHAN: That is the only thing I have at the moment.

COMMISSIONER MARTIN: Is the percentage of your total business made in food, mainly?

MR. BERG: I can't give you an answer, because we don't break it down that way. Certainly, if you are talking about non-foods, as they are described, and foods, a large part of our business is in foods, and a smaller portion in the non-foods.

COMMISSIONER MARTIN: And are you handling all food production, under all forms -- I mean fresh, frozen and so on?

MR. BERG: Such as what?

COMMISSIONER MARTIN: Fresh or frozen?





MR. BERG: No. We don't handle fresh and frozen. We only handle what is known as dry groceries.

COMMISSIONER MARTIN: Okay, that is all.

COMMISSIONER WALTON: In your branch stores, if they had a meat counter and a fresh vegetable counter, they would get their supplies from others?

MR. BERG: Yes, that is right.

COMMISSIONER WALTON: Following up the question asked a little earlier, on your Superior Stores and your Carload Groceries, which are your two main sponsoring stores, have they, to your knowledge, in the retail end, entered into the premium or the trading stamps?

MR. BERG: Pardon?

COMMISSIONER WALTON: Would they do it sort of as voluntary chain collectively or would it be up to each individual store? Do you have any knowledge of that?

MR. BERG: Well, when you say collectively that is assuming that we promote something of that kind, which we haven't done.

COMMISSIONER WALTON: You said you didn't promote them. Do Superior Stores suggest "X" store have the same?

MR. BERG: Not necessarily.

COMMISSIONER WALTON: They don't?







MR. BERG: No. They might go into separate arrangements for some plan of their own. Each one could be doing something different.

COMMISSIONER WALTON: There is no uniform policy applying to them?

MR. BERG: No.

COMMISSIONER WALTON: Do you feel that every grocery store in the same stown has gimmicks and that there is not much advantage in the final analysis? Would you agree with that?

MR. BERG: Whether they should all --- ?

COMMISSIONER WALTON: No. If someone starts a premium stamp or a trading stamp or some sort of gimmick there, and initially they might entice more customers in and increase their volume, then perhaps competition might force all like type of stores in, and if everybody is in it, do you think there is any great advantage except that another load had been superimposed on the grocery bill?

MR. BERG: I think that is about the way it has been working, from my understanding of it.

THE CHAIRMAN: Would life be more pleasant for you if you didn't have to bother with this sort of thing?

MR. BERG: Pardon?

THE CHAIRMAN: Would life be more pleasant for you if you didn't have to bother with this sort of thing?





MR. BERG: Well, I don't know. This business has always been a highly competitive business, and we have always been used to new things coming along, and I am inclined to think life might be a little dull if we didn't have these things.

THE CHAIRMAN: You don't want to see anyone try to stop it, anyway?

MR. BERG: Well, I don't know. There are some things that probably might be stopped, but I wouldn't know what they would be. Where are you going to start? If you stop one thing, and something else is going to crop up, some new idea?

COMMISSIONER DRUMMOND: What about the percentage of your business? I think you said a while ago that the percentage with independent stores is a relatively small part of your total?

MR. BERG: Yes.

COMMISSIONER WALTON: Is it increasing?

MR. BERG: Yes.

COMMISSIONER DRUMMOND: Fairly rapidly recently?

MR. BERG: Not rapidly.

COMMISSIONER DRUMMOND: Do you detect a tendency on the part of independents to link up with wholesalers?

MR. BERG: Well, you see, we read in publications that there is a great tendency in that regard, but I think it is still difficult to get a lot





of independent retailers into some form of voluntary chain. I would imagine probably because they feel or they know a lot of control is going to be taken out of their hands.

COMMISSIONER DRUMMOND: Thus, they are willing to go along with the chains. Do they feel that the special advantages and services -- supervision and so on -- that they get are worth more than the loss of that independence?

MR. BERG: I think so.

COMMISSIONER DRUMMOND: They are the type of people who are willing to go along?

MR. BERG: I think the fact that the voluntary chains are growing is a good indication of that.

COMMISSIONER DRUMMOND: Do you envision a possibility in the measurable future of practically all independents becoming members of voluntary chains?

MR. BERG: I think all the better ones will be. They will have to be.

COMMISSIONER DRUMMOND: If and when that comes, what would be the next development?

MR. BERG: Pardon?

COMMISSIONER DRUMMOND: The next development? Would each chain become a larger chain, or would there be a working of chains, or what?

MR. BERG: That is going on now. I presume that would continue.





COMMISSIONER DRUMMOND: If you get to the stage where all independents cease to become independents, would there be the same opportunity left for using these types of appeals you spoke of a while ago, in business?

MR. BERG: I think that is a difficult question to answer. I can't envisage a time when there would be no independents -- when there would cease to be independents.

COMMISSIONER DRUMMOND: I take it that independents are able to offer something of sufficient importance to enable them to stay in business?

MR. BERG: I think a certain number of them will always be in business. I can never visualize a time when there won't be an independent grocery business. Certainly, the volume of business they are doing -- the total -- is good. On the other hand, I understand there are areas in the States where the independent grocer is coming up in proportion to the amount of business he is doing for the total volume of business -- that is, the swing has been -- just recently -- been going somewhat the other way.

COMMISSIONER DRUMMOND: If that is the case, do you suggest he must be able to offer something to purchasers that the other isn't able to offer?

MR. BERG: I don't think he has to. Actually, I don't think he has to offer anything better than the other one is offering. If he can







offer something just as good, he has a good chance of succeeding.

COMMISSIONER DRUMMOND: If he can offer something just as good without the extra costs involved in making these various types of appeal -- the independent grocer, for example, he might not have to offer coupons and so on -- would that not cut down his cost of operation?

MR. BERG: Yes, but I think he is going to -- I think what he does in that regard is determined by what his competition does. I don't think he can stay operating if his successful competition gets into it.

COMMISSIONER DRUMMOND: You don't think there is a type of customer who simply doesn't want that type of appeal?

MR. BERG: Oh, yes, I think there is.

COMMISSIONER DRUMMOND: The type of customer who goes almost entirely by the price appeal and nothing else?

MR. BERG: By the price appeal?

COMMISSIONER DRUMMOND: Yes.

MR. BERG: I presume there are some -- probably a lot go by the price appeal. I don't think that is the entire consideration.

COMMISSIONER DRUMMOND: What I am trying to get at is what will prevent the complete disappearance of the independent grocery store, or what will





bring it back, as you say there is a trend in some places in that direction now?

MR. BERG: Well, of course, the independent grocer, as I see it, his main difficulty is that he is not able to get the financial aid that will enable him to put in the size store the type of equipment and merchandise that he needs to compete with the larger stores. The appearance of the larger stores and the variety of merchandise they carry, I think, are probably as great an appeal as price, or any other factor. And, unfortunately, the cost today for developing that type of store is so high that the independent merchant isn't in a position to meet that situation.

COMMISSIONER DRUMMOND: You offer supervision to your stores?

MR. BERG: Pardon?

COMMISSIONER DRUMMOND: You do offer this thing we call supervision to your voluntary stores?

MR. BERG: Yes.

COMMISSIONER DRUMMOND: Does that include assistance in revamping their store?

MR. BERG: Yes.

COMMISSIONER DRUMMOND: Enlarging, and so forth?

MR. BERG: Not financially, but we will assist them in store layout, store design and so on.

COMMISSIONER DRUMMOND: Do most of them





actually make alterations?

MR. BERG: I wouldn't say most of them --  
a lot of them do. A lot of them, particularly the  
better ones.

COMMISSIONER WALTON: Is it possible that  
some of these independents survivors, let us say,  
would be a family enterprise?

MR. BERG: Yes.

COMMISSIONER WALTON: Where they call the  
merchant either a wage or a profit?

MR. BERG: That is right.

COMMISSIONER WALTON: Thank you.







COMMISSIONER WALTON: Three advantages of sponsoring stores are the advertising systems and display and supervision, and then, because of the volume, the wholesale itself would be able to supply those things - - a discount on volume buying, yourselves, passed on to the sponsoring - - that is not available to the independents, then?

MR. BERG: Yes, the independents, in our own case.

COMMISSIONER WALTON: They benefit too?

MR. BERG: They can buy from us just as cheaply as our voluntary group, but they do not get the advantage of the advertising assistance or the supervision, or all the services we supply to our voluntary chains.

COMMISSIONER DRUMMOND: Do you tend to vary the price advantage that you give to your voluntary group as the group changes in size?

MR. BERG: You mean individual stores changing in size?

COMMISSIONER DRUMMOND: As the group becomes larger and more numerous, are you able to offer larger percentages?

MR. BERG: Well, that is if our overall volume increases, yes.

COMMISSIONER DRUMMOND: Is there such a thing as a minimum size of group you need to have





before you can give them a special discount?

MR. BERG: No, our voluntary group don't get a special discount. It is based on our over-all operation. As I said a moment ago, an independent who does not belong to our voluntary group can buy as cheaply from us as one of our voluntary group, doing the same amount of business.

THE CHAIRMAN: Mr. Berg, we have a little chart hanging on the wall here: The red line is the index of prices of farm products at the farm, and the black line is the food component of the cost of living index, and I think we sent you a copy of this?

MR. BERG: Yes.

THE CHAIRMAN: If you placed on that chart the total cost of living index, it would lie above that black line and would rise more steadily; in other words, we have had a period since 1951 when food raw material prices have been falling, but there has been a general advance of prices at the retail level - both food and other things, and other things more than foods, actually. But, this has been a period in which food raw material prices have been falling and finished product prices have been rising. This would seem to be a highly profitable combination of circumstances, I would think, and the sort of circumstances in which certain forms of merchandising practice would probably be





very effective.

Now, if you don't want to answer this question, don't, but, supposing that red curve started to move up, and the black curve started to move down: Would you think that the merchandising practices would be changed - would be different under these different sets of circumstances?

MR. BERG: Well, again, I cannot visualize such a thing happening.

THE CHAIRMAN: It has happened before. What I am really getting at is that all these blandishments that we offer the consumer which do involve additional costs can perhaps be incorporated in the price of the product in a period during which raw material prices are falling and general inflation is operating. I would doubt very much if the same sort of merchandising practices could be followed in a situation in which raw material prices were rising and there was no general inflation. Will you agree with that?

MR. BERG: Yes.

THE CHAIRMAN: Would you care to have a guess as to the sort of changes that might happen if these trends reversed themselves?

MR. BERG: Well, if the prices dropped, and you are suggesting - - is that it?

THE CHAIRMAN: The general price level.

MR. BERG: The general price level dropped,





then volume is also going to drop - probably. In that case, it looks to me that somebody is going to be losing money.

THE CHAIRMAN: Do you think that the consumer would be so responsive to these various merchandising practices we have been talking about if consumers' incomes generally were falling?

MR. BERG: That is a difficult question to answer.

THE CHAIRMAN: You see what I am getting at: There is a particular set of circumstances which have operated in this period since 1951, and in general my question is, whether the type of merchandising developments which have occurred are peculiar to this set of circumstances and are, therefore, not necessarily permanent?

MR. BERG: I think possibly they are. I think the years we have gone through recently, with high wages and people with lots of money to spend, and have spent money more freely, and certainly if we go back to the thirties, that we all realize, it was a difficult job at that time to get people to buy.

THE CHAIRMAN: Well, I certainly would not either suggest or hope that we go back to the thirties, but I think most of us look forward to the day when inflation will stop and most of us look forward to the day when farm prices will start to turn up instead







of being continuously down. I think these are not unreasonable expectations, and I am just wondering what will happen in the food merchandising field if these conditions change?

MR. BERG: Well, I think that is very difficult to say. Certainly there would have to be changes, because there have been some expensive methods of merchandising developed in the last few years, but they have been expensive only as a whole and not in relation to the products, because of the volume of business. Actually, the cost of our type of business - our costs percentage wise are less today than they were a few years ago, because of the volume, and the same is true, I think, of the larger stores, particularly.

THE CHAIRMAN: Well, I would have been content with the answer that merchandisers are sufficiently flexible and adaptable that they would adjust themselves to the changes.

MR. BERG: Oh yes, they would. Back in the thirties they did. They were in the same position prior to that time and they had to change in the thirties; everybody had to change to go through that period.

COMMISSIONER DRUMMOND: Would it be true if you had that extreme situation that you would have to rely almost entirely on your price appeal?





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2838

MR. BERG: I expect you would, yes.

COMMISSIONER DRUMMOND: People have to count their dollars; it is the money - isn't that right?

THE CHAIRMAN: Well, thank you very much, and we appreciate your being here and taking on our questions.

--- A short recess



SUBMISSION OF

THE RED AND WHITE CORPORATION LIMITED

Appearances:

Mr. J. D. Elton

Mr. J. A. Collier

THE CHAIRMAN: Will you come to order, please. We would like to hear now from the representative of the Red and White Corporation Limited. I believe Mr. J. D. Elton is here and Mr. J. A. Collier, if you would come forward, please.

Gentlemen, this whole merchandising, distributing field is a very complex and dynamic one and the Commissioners are trying to find their way through this. We did, I think, send to your organization one of our questionnaires and we appreciate your willingness to complete it and return it to us in due course. As I said earlier this afternoon we hope that this conversation we have with you across the table will give us some feeling of the nature of your operations because I think your corporation is the type of organization with which we are not very familiar. We will be very grateful for any help you can give us. I don't know who is going to







do the talking this afternoon.

MR. ELTON: Perhaps I should explain that. I have been the manager up to the beginning of this year when Mr. John Collier took over. That is the reason I am answering the questionnaire. I know what went on during the last 28 years, or some of it.

THE CHAIRMAN: I would be grateful if you would tell us something about your organization and operation. Would you start at that for us?

MR. ELTON: Yes, I will go back to 1926 or 1927 when a man by the name of Frank Sloan heard about a voluntary chain movement in the United States, which was the only one at that time which was Service Stores. A man by the name of Mr. Flickinger invented it in Buffalo. Frank went to the States just about the same time a man from Winnipeg went there to see Mr. Slocum in Minneapolis who had the Red and White right at that time. They both got started in the idea of having voluntary stores, voluntary chain stores to help the merchants out. Mr. Sloan came back to Toronto and started the company called the Red and White Chain Stores Limited. That name was changed to Red and White Corporation Limited in 1930. I came into the picture for the opening of an office. That was in December, 1929. We gave franchises to certain wholesalers around the Dominion.





At the present time there are seven wholesale grocers that are affiliated with us through franchises: Kelly, Douglas and Co. Limited, Western Grocers Limited, National Grocers Company Limited, The Dealers' Supply Company Limited, Halifax Wholesalers Limited, Atlantic Wholesalers Limited, and L. H. Sherman and Sons of Glace Bay. After they received the rights they do the rest of the work. We have nothing more to do.

COMMISSIONER DRUMMOND: Do they operate in specific areas?

MR. ELTON: Absolutely, sir. They say which man can come in and which man cannot. They have the supervision. They put the stores in shape, help them get into shape and help them with their advertising. That is what has made the thing click.

THE CHAIRMAN: Now, what specific services do you provide to the members of the chains.

MR. ELTON: Do we at our office?

THE CHAIRMAN: Yes?

MR. ELTON: Nothing except we look after the labels, the design of packages, the kind of crest we want used - - you know the five foot sign - - that was designed in our office. If anybody starts a Red and White Taxi Service we are liable to get after them. We have the legal rights in our office.





COMMISSIONER WALTON: Do you collect a membership fee from each one of the stores to finance the office.

MR. ELTON: No, Mrs. Walton.

THE CHAIRMAN: Your relations are entirely with the - -

MR. ELTON: The wholesaler.

THE CHAIRMAN: Which region did you start in?

MR. ELTON: Frank Sloan started in Toronto and the Western Grocers started in Winnipeg. It was just about the same time in 1927. There was no office opened until 1929, no head office.

THE CHAIRMAN: You have no facilities yourself? You just have an office?

MR. ELTON: Perhaps we should enlarge on that. During 1933 we owned a name for canned goods called Brimfull and we wanted to form a subsidiary company to take care of stores, any Red and White stores that our wholesalers sold to, so we formed a company called Brim Products Limited, which is a totally owned subsidiary of Red and White Corporation Limited. Some eighteen years ago we got started selling store molding and tickets and the Brim Products end of our business took these over. I was giving up last year as manager and I had two men who had been with me a long time and we decided to divide the company into separate





entities, but we are in the same building. Brim Products entirely look after store supplies. There are many things today which help in the higher cost of living. We put wrappers on our bread today. I asked somebody in the room if they would buy carrots out of a box. I don't think so. They buy them in a cellophane bag or a polyethylene bag with a pretty name - - Red and White or some other name. Brim Products Limited do all the supplying to the wholesalers. They sell the store carts, molding, shelves, price tickets, anything the store wants. They sell the coffee grinders.

THE CHAIRMAN: You handle no merchandise at all?

MR. ELTON: Foods? In the Red and White Corporation we sell some merchandise on commission. We have always been a brokerage office. That is how we live. Many of our houses are not in Toronto and we are able to buy canned goods in the Province and do business on a 2 per cent basis. It is not enough with the high cost of salary to managers and to everybody else.

THE CHAIRMAN: I take it then from the point of view of the store the significance of your activities, that is the corporations activities, are first of all the name Red and White - -

MR. ELTON: We have another name too :  
Lucky Dollar.







THE CHAIRMAN: I am familiar with Red and White. I suppose the distinctive store appearance and the name is something of an advantage which you confer upon the independent store keeper.

MR. ELTON: We don't, sir; the wholesaler does. The wholesaler makes the agreement or grants the franchises to the stores.

COMMISSIONER DRUMMOND: What special advantages are you able to confer on the wholesaler?

MR. ELTON: What do we do for the wholesaler? We are very useful because we are located in Toronto. Take Western Grocers, for instance, they are through the Prairies. They find us very useful in Toronto to buy canned goods from. They buy on a 2 per cent commission. I think we get 3 from one firm but 2 per cent is normal.

THE CHAIRMAN: That is the major part of the total business?

MR. ELTON: Yes. We have certain lines put up by manufacturers under our own name and there is no selling cost at all except through us, so they pay us a small commission for doing that.

COMMISSION WALTON: Do you contract for your seven wholesalers for the brand name right across Canada?

MR. ELTON: Not necessarily, Mrs. Walton.





In canned goods they sometimes make their own arrangements. Supposing we take salad dressing, we do on that. They don't have to buy from us. One house does not buy our salad dressing. They don't want to. They don't have to. We wish they would.

THE CHAIRMAN: You cannot persuade them?

MR. ELTON: Perhaps John can. I don't know whether I can.

COMMISSIONER DRUMMOND: When you give a franchise to one of these wholesaling firms just what does that involve?



IT/JP  
EE  
16/9



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2846

MR. ELTON: They have to sign an agreement with us which says they will keep their store at a certain level. We will be glad to furnish our copy of our last agreement we made in Glace Bay. We would be very happy to send a copy of that. They don't pay anything for it.

THE CHAIRMAN: Mr. MacKichan, have you any questions?

COMMISSIONER MacKICHAN: I would refer to the first paragraph in the booklet. The first paragraph here.

MR. ELTON: That is all American. The American office. Red and White Corporation, Chicago. By the way, we have no tie-up, and one of our men sits on the Board over there and one of their men sits on our Board.

COMMISSIONER MacKICHAN: Would you have the same object and the same objective?

MR. ELTON: Yes, pretty well the same, yes, sir. Canadianized.

COMMISSIONER MacKICHAN: The last line: "This concerted action pays a fair profit to the retailer, to the wholesaler, and to the manufacturer." I am wondering if that is what keeps these lines apart here too. If you are looking after the consumer too?

MR. ELTON: Well, I suppose it is so. When we buy peaches in the Niagara Peninsula - and we do not buy and sell - we sell them on a







commission basis to our houses in shall we say New Brunswick. We make 2 per cent commission in our office, and the wholesaler buys it that way. If he did not buy it from us, he would buy it from another broker, and the other broker I think would charge more than 2 per cent.

COMMISSIONER WALTON: Do your wholesalers in the contract follow the American pattern where in looking over the obligations of the Red and White wholesalers, as they call them in the States, do your wholesalers sell Red and White brand to member stores only?

MR. ELTON: Yes.

COMMISSIONER WALTON: But then they have other customers?

MR. ELTON: Yes, quite a lot.

COMMISSIONER MacKICHAN: What sort of distribution system do you carry on to service these new members in the far east?

MR. COLLIER: I do not understand.

COMMISSIONER MacKICHAN: How do you supply Glace Bay?

MR. COLLIER: You mean physical merchandise? We sell consolidated cars out of this market here.

COMMISSIONER MacKICHAN: And possibly on some lines where there would be lesser volume you would consolidate with Atlantic Wholesalers and





Glace Bay?

MR. COLLIER: No. They are quite capable of handling a straight car load.

MR. ELTON: And then you know the cash and carry stores use bags to carry stuff. Our name is on the front of the bags. We buy them in large quantities and we supply them to wholesaler houses in 10,000 blocks, or what they want to buy. We make a little on them.

COMMISSIONER MacKICHAN: It is the wholesalers job then to go out and solicit new members and that sort of thing and build up volumes for Red and White?

MR. ELTON: Oh, yes.

COMMISSIONER DRUMMOND: It would only be certain particular items that they would buy normally from you?

MR. ELTON: Everything that we can find that is good value. Our wholesalers are very keen buyers. They have to be. They will only buy from us what we can give them good value on. They won't buy anything and pay us anymore than anybody else.

COMMISSIONER DRUMMOND: Would they not have to buy things nearer by?

MR. ELTON: A very very small percentage of the business.

COMMISSIONER DRUMMOND: According to your





booklet here you apparently started in Canada about eight years after you started in the States?

MR. ELTON: I think that is right. 1927, and I think they started in 1919 or 1920.

COMMISSIONER DRUMMOND: Is there any particular reason why this took place in Canada just when it did? I mean rather than some years before.

MR. ELTON: Yes. We started a chain store in this country in the early twenties. We kept them in business.

COMMISSIONER DRUMMOND: You were the first one?

MR. ELTON: Yes, and that was a disadvantage in a way because a store that was pretty good in 1930 was not very good in 1950.

COMMISSIONER DRUMMOND: But on the other hand you would have the advantage of selecting the wholesaler to whom you gave the franchise?

MR. ELTON: That is true, sir. He got the best.

THE CHAIRMAN: Would it be a fair description to describe you as a wholesaler for wholesalers?

MR. ELTON: No, sir. I think we are headquarters of a voluntary chain.

THE CHAIRMAN: Now, I understand that you do two types of service. Perhaps the main one is





the provision of supplies. Is that what you told me?

MR. ELTON: The provision of supplies - you mean throughout all these companies?

THE CHAIRMAN: Yes.

MR. ELTON: I think about 50-50.

THE CHAIRMAN: Has this proportion been changing at all?

MR. ELTON: No. I think we are sending you a statement for ten years, and I am working on that now to try and get straight answers. We have been going up, you know.

MR. COLLIER: I think it can best be summed up by saying we are there to be of service to our affiliated wholesalers. We deal only with them. They are our only customers, and we are there to perform a service for them and look out for their interests. That is our prime function in life.

THE CHAIRMAN: But the nature of the service has not been changed significantly?

MR. COLLIER: No, I would not say so.

MR. ELTON: Products today are selling to other people besides our own houses. Store supplies. Selling to other wholesalers. Selling to some of the chains.

THE CHAIRMAN: Is this a recent development?







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2851

MR. ELTON: No.

MR. COLLIER: Well, it has been growing.

COMMISSIONER DRUMMOND: In other words, you have a lot of other customers besides your affiliated wholesalers?

MR. COLLIER: Well, it has been growing.

MR. ELTON: You should differentiate between Brim Products and Red and White Corporation Limited which deal only with our affiliated wholesale houses.

COMMISSIONER DRUMMOND: In some respects your selling business would be more of a brokerage business than wholesale businesses? Would that be correct?

MR. ELTON: Oh, yes. Definitely in food it is brokerage.

COMMISSIONER DRUMMOND: A good percentage?

MR. ELTON: Yes. We buy and sell the others, but they are supplies.

COMMISSIONER WALTON: I do not know quite how this works, and I hope you do not mind my asking a question.

MR. ELTON: Very glad.

COMMISSIONER WALTON: You have your wholesalers right across Canada. You have your brand names. Presumably you have a processor with whom you contract to put out "X" cases of peas under your brand name. Now, are they shipped direct





from the processor to the wholesalers across Canada, each one of them so many, or do you negotiate the contract or do each one of the seven wholesalers?

MR. ELTON: Not on canned goods. In many cases we do not negotiate contracts, but on salad dressing with our own label on, we do. All orders come to us, and we have a commission on that. Canned goods, in British Columbia for instance, they buy their canned goods out there.

COMMISSIONER WALTON: On the brand?

MR. ELTON: We supply our labels if they are good canners, but in all cases the wholesale grocer makes the deal whether it is through our office or whether it is direct.

COMMISSIONER DRUMMOND: You are operating in practically all parts of the country now?

MR. ELTON: Yes, except in - I am looking at him right now - not in that area, sir. Montreal.

COMMISSIONER WALTON: On the changes of store front when the wholesaler selects the retail outlet, and then they form that Red and White frontage, is that the obligation of the local retailer to make those changes?

MR. ELTON: Or does the wholesaler do it?

COMMISSIONER WALTON: Yes.





MR. ELTON: The wholesaler will not take him in until he does do it, but he gives him a lot of help. He has a store planning department and all that sort of thing. The wholesaler does. A retailer needs help.

THE CHAIRMAN: Well, we look forward to getting your returns in, Mr. Elton, on the questionnaire. I think if you answer it you will give us the information you need.

MR. ELTON: Yes, we will try to give you all the information we can.

THE CHAIRMAN: I think when we see the name Red and White Corporation we will think of you and Mr. Collier and it will mean something more to us.

MR. ELTON: That could be so, and I do hope you will come in and buy your coffee there.

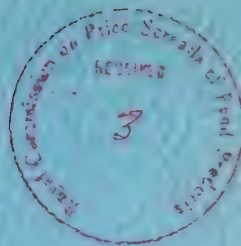
THE CHAIRMAN: Adjourned until tomorrow morning at 10 o'clock.

--- Whereupon the Commission adjourned at 3.15 p.m. to resume at 10.00 a.m., Wednesday, September 16th, 1958.





*County Wiltton*



# ROYAL COMMISSION

ON

## PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

TORONTO

ONT.

VOLUME No.: *18* DATE:

*18* SEP 17 1958

OFFICIAL REPORTERS  
ANGUS, STONEHOUSE & CO. LTD  
371 BAY STREET  
TORONTO  
EM. 4-5773 EM. 4-5865





ANGUS. STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

RY/JP  
A  
17/9

2854

ROYAL COMMISSION ON PRICE SPREADS  
ON FOOD PRODUCTS

---

Proceedings before the Royal Com-  
mission on Price Spreads of Food  
Products commencing at 10.00 a.m.,  
Wednesday, September 17th, 1958, at  
Toronto, Ontario.

---

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton  
Mr. J. Howard MacKichan  
Mr. Romeo Martin  
Mr. W. Malcolm Drummond  
Mr. Cleve Kidd  
Mr. Bernard Couvrette

Secretary

John A. Dawson

Assistant Secretary

A. A. Caron

---





--- On resuming at 10.00 a.m.

SUBMISSION OF  
DOMINION STORES LIMITED

Appearances:

Mr. T. G. McCormack	- President
Mr. Ivor Crimp	- Vice President Services
Mr. N. H. Shaw	- Secretary
Mr. J. S. Feggans	- Director of Advertising and Public Relations
Mr. H. Sutherland	- Counsel

---

THE CHAIRMAN: We are to hear first this morning from Dominion Stores Limited. Mr. McCormack, I would like to express the particular appreciation of the Commission to you and to the members of your organization: When the Commission was announced your firm was the first to come forward with offers of assistance and co-operation, and we greatly appreciate the help we have had from you since we started. We are looking forward to your presentation this morning, and perhaps you would like to introduce the members of your organization who are with you, and tell us how you would like to present the brief.

MR. McCORMACK: Thank you, Mr. Chairman, Mrs. Walton and distinguished members of the Commission. We wish to, again, assure you of our full appreciation of the immensity of the task which you

THE UNITED STATES OF AMERICA  
DO hereby certify that  
[Name] is a citizen of the United States  
and is entitled to the rights and  
privileges of citizenship.  
IN WITNESS WHEREOF, I have hereunto  
set my hand and the seal of the  
Department of the Interior at  
Washington, D.C., this [Date] day of [Month], 19[Year].  
[Signature]  
[Title]





3  
have undertaken, and we will co-operate with you, and we have an earnest desire to do so, to help you resolve this problem if it is at all possible.

Those with me this morning are, Mr. Crimp, Mr. Feggans, Mr. Sutherland and Mr. Shaw.

Mr. Crimp, our Vice President, has been associated with the food business for over 37 years. He is a man held in high esteem throughout all branches of the food industry, and is particularly well qualified to handle this subject. I leave him in your capable hands.

MR. CRIMP: Mr. Chairman, Mrs. Walton and members of the Commission, it is a pleasure on behalf of Dominion Stores Limited to present our brief to you this morning.

The work of your Commission in broadening the knowledge of the food marketing process carries the complete endorsement of all thoughtful Canadians, and our group wishes to associate itself with the expressed objectives of your study. The dynamic forces in the expanding Canadian economy over the years have effected changes in the relative position of production, processing and distribution, and we welcome steps designed to improve any part of the programme.

In addition to the considerable data which we are supplying to your Commission in response to







the exhaustive questionnaire and in various separate studies, we would like to offer the following summary of our examination into the influences affecting the price spread pertaining to the retail division of the food industry. You will find these observations and recommendations supported by exhibits attached and material previously submitted.

Mr. Chairman, if it meet with your pleasure, I would like to present the brief, and I shall make reference to the various exhibits following certain paragraphs as we proceed with the brief, and, in view of the importance of some of the exhibits, we will be very pleased, if you so desire, and perhaps it would be advantageous, to read some, at least of those exhibits, and we will be pleased to be in your hands in that connection and carry it on as you might wish.

THE CHAIRMAN: If you follow that procedure of just reading the section and, if you wish to comment on any part of the exhibits, or read them into the record, we will be glad to have you do that.

MR. CRIMP: Thank you, Mr. Chairman.

The retail segment of the spread covering the food production, processing and distribution sequence appears to have held to a reasonably constant proportion of the consumer food dollar for more than a decade. The increases shown in the





Table as between 1949 and 1957 represent an increase of slightly less than one half of one percentage point of the total spread. As noted, the figures cover food only, non-food having been taken out. The figures are based on laid-in-store costs, and in accordance with the Royal Commission questionnaire do not include non-trading income. Retail food operating margins continue at a much lower level than obtains throughout retailing in general. The retail food industry has maintained this low margin through improvements in distribution methods and an increased volume of sales and at the same time has been able to add numerous distribution services for the consumer. These changes in services make precise comparison of the spread from one period to another difficult. In total, however, Canada has a creditable and continuously improving system for the production, processing and distribution of food. As a result, Canadians today eat better food, in greater variety, than in previous generations. In terms of hours of work, they pay less for their food today, than ever before. (Exhibit A of original brief).

2. The rate of technological change in the various segments of the food industry has been different for each segment. Thus, it is difficult to compare the contribution of each segment on a continuous basis. Certainly, remarkable strides in production technology have had the effect of reducing primary costs. In such circumstances, the





proportion of the consumer dollar devoted to distribution will appear higher although prices may be lower, and the net revenue of the producers may be greater. A spectacular advance in machinery or equipment may reduce cost of production, leaving cost of distribution the same, but proportionately higher.

In our present system of distribution, the human element is proportionately more important than in factory or field production. Unless drastic cultural changes take place, distribution cannot lend itself as favourably to the application of increasing mechanization as in other fields. Consequently, improvements in wages and benefits which quite properly accompany our rising standard of living, cannot always be offset by improvements in distribution efficiency. Thus, it would be expected that in the long run, the distribution segment will be more subject to inflationary pressures than other areas. (Exhibit B of original brief).

3. The primary producers, aided by organized research, have shown remarkable improvements in productivity through improved techniques in soil conservation, planting, fertilizing, growing, harvesting, grading and packing.

Distributing productivity, although not able to present such dramatic improvement has continued to increase in the past decade. However, the







effects of the productivity improvement have been obscured by the provision of additional services not previously available.

Fresh fish might be cited as an example of this trend in which refrigeration in transportation and wholesale-retail distribution has increased the volume and brought a moderate priced product to many extra Canadian tables which formerly were not able to enjoy it. The price of fish has increased, but the price of meals through the greater use of fish may be less than would otherwise have been the case.

Mass production through improved techniques demands mass distribution to move surpluses. Improved distribution facilities alone are not sufficient and distributors are required to develop sound marketing programmes and close liaison with producer and processor to do an effective job. These techniques are being made available in commendable fashion. (Exhibit C of original brief).

4. Improvements in the product through processing or distribution may increase the cost of bringing the product to the consumer, but such improvements may make it so much more acceptable that its volume of sales will increase, enabling some of the extra costs to be offset by economies of scale in production and distribution.

Spinach might be an example. Time was





when this product was "dirt cheap and full of dirt". Today the processors and distributors take great care in cleaning, packaging, preserving and handling this delicacy. The effect has been a vastly enlarged sale even though the price has increased. (Exhibit D of original brief).

The whole range of frozen foods represents a new influence in price spreads. For obvious reasons, the marketing of frozen packaged foods, such as peas, costs more than similar merchandise in the canned state. Food reaching the table in this way might show a higher total spread particularly at the outset before an economic volume has developed.

Another type of variation in processing would be the increase in variety of the same type of food offered to the consumer. Clearly, it costs more to merchandise twelve varieties of soup than it does to market only two varieties.

A further example of the impact of changed processing can be found in the current methods of trimming beef. Today there is more drastic trimming than a few years ago. The increase in price is therefore more apparent than real because what was largely waste for the consumer is now eliminated before the meat reaches the consumer. Cutting tests will disclose the comparative values.





It might be argued that the extra processes and the provision of varieties offer no real added value to the consumer. But that reasoning is not endorsed by the Canadian housewife who is a highly competent family purchasing agent who knows her grades, prices and real values. She is not concerned with providing her family merely with food but with an appetizing quality and variety to make eating enjoyable. At any given time there may be individual products on the market which enjoy an unusual success through what might be called the unnecessary processing. In the long run, however, the Canadian housewife buys the services embodied in the products, which she feels satisfy her needs. The uneconomic frills disappear and a product holds its place through merit.

5. Reduction of waste through skilful distribution methods can be shown in many instances to have reduced the effective cost to the consumer even where there has been an increase in the initial price.

Grading, packaging, refrigeration and careful handling of fresh fruits and vegetables have required an additional price. But the process has provided a substantial saving to the consumer through reduction in waste, even though this conservation cannot be measured.





Another form of value added by processing and distribution may be illustrated in the preparation, packaging, stocking and displaying of baby foods. The charge to the consumer is greater than for the equivalent in carrots, spinach or other ingredients and upsets what might have been regarded as the traditional disbursement of the consumer dollar. But it carries the judgment of the modern consumer. Again the reasoning in this procedure reflects the fashion of working mothers who may feel that the extra cost for the much-discussed built-in maid service is less than they can earn in the time saved through using table-ready foods. Packaging devices are sometimes criticised but in the long run the value will be judged by the final arbiter, the consumer, in terms of good merchandise and elimination of wasted time and material. (Exhibit E of original brief).

Much still remains to be done in this area of waste reduction and we recommend that cooperative research be encouraged in official quarters. We are quite sure there will be complete cooperation at all levels of the food producing and distributing industry.

6. Commendable work has been done by collaboration of producer organizations, marketing boards, processors and distributors. Such cooperation, together with technological advances in equipment, have







made it possible to bring better variety and quality of food to outlying areas and have helped such areas to develop a higher standard of living.

An example of this movement can be found in the widespread distribution, and longer marketing season for fresh fruits and vegetables grown in many sections of Canada. Scientifically designed, controlled atmosphere rooms have not only lengthened the apple season but have been responsible for bringing apples to the consumer in an improved condition.

Efficient handling, attractive display and aggressive seasonal promotion have expanded the market for nearly all types of primary foods.

Production, processing and distribution of food are such inter-related and inter-dependent functions that at least from the broad viewpoint of overall responsibility to the Canadian public, they constitute one industry. We would recommend that the Federal and Provincial Governments extend the work they have been doing in encouraging and arranging for continuous collaboration.

Collaboration is being expressed in many ways. Processors and retailers have taken on some of the functions formerly performed by the housewife, such as preparation and presentation of baby foods, cake mixes and ready dinners. All this tends towards an imprecise definition of duties and





responsibilities and impedes analysis of the spread between producer and consumer.

However, it is clearly evident, if not measurable, that the collaboration among all levels of the food industry has progressed favourably and has had the effect of holding the spread to a degree which would not have been possible otherwise. There is scope for further effort along the same lines. (Exhibit F of original brief).

7. There have been other elements which have influenced the retail margin in recent years. One contributing factor in the slightly higher margin for some retail food organizations has been the introduction of non-foods. These carry higher margins, which tend to increase the combined food and non-food margin. They also incur additional expenses which serve to increase the total expense ratio. Individual companies such as our own would be able to make available definitive data which would show the influence of such additional merchandise in holding food margins to a minimum.

Attention has been given in some quarters to the influence of advertising and promotions, including contests, premiums and trading stamps.

The nature of the retail food business requires constant communication with the consumer market, through one form of advertising or another. The major form, of course, has always been the





publicizing of available merchandise and prices, essential to the process of marketing and to informed consumption of food. In addition there have always been various forms of ancillary advertising or promotion. These devices vary from time to time, as a manifestation of continuous striving for the greatest possible advertising efficiency, i.e., the most sales per advertising dollar invested.

While the novelty of some promotions in recent years may have attracted dominant attention, the fact is that they represent only a minor share of total advertising expenditures, which have not increased substantially as a percentage of sales income, especially considering the increased unit cost of advertising inherent in our expanding economy.

It is axiomatic that retail food advertising features the primary products that are in best supply, each week of the year. In addition to such sustained support, special collaboration with producer organizations has been of acknowledged value in agricultural and fisheries development and in consumer education. (Exhibit G of original brief).

8. Because there is an endless variety of products and an endless variety of consumer demands, it is impossible for one method of distribution to satisfy them all. Thus there appears to be a satisfactory position in food distribution for all







the traditional channels such as large stores, small stores, chains, independents, cooperatives, wholesalers, voluntary chains, department stores and public markets, and even door to door peddlers. While the chains have gained ground in recent years, independents must be given great credit for improvement in methods either as individuals or as members of some of the splendid voluntary chain groups or cooperatives. The supermarket formula has been adopted effectively by a number of independents, some of whom have been so successful as to become chains rather quickly. (Exhibit H of original brief).

In the market to which they cater, the large stores have proven successful in developing considerable selling power. The sales presentation of a mass array of fresh merchandise in great variety has been very effective and the large store has earned the respect and patronage of its customers. Various chains will be able to offer specific experience as to the relative efficiency of the large and small stores within their groups. (Exhibit J of original brief).

9. Net earnings from food distribution are generally considered moderate. The key to successful food retailing has been fast turnover and low net earnings per unit of sale. Thus, in relation to sales, net earnings appear meagre, and returns to





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2868

investors in many food distribution organizations  
represent a fraction of a cent per dollar of  
sales.





B  
MC:1z  
9/17

In relation to capital employed, including capital supplied through debt and leaseback arrangements, net earnings may be sufficient to encourage further investment in food distribution. The substantial item of leasehold liability must not be ignored in any study of net earnings ratios. While it does not appear as an actual liability in a balance sheet, it does represent a real and onerous responsibility of the shareholders.

Although it is not possible to predict the future course of net earnings in the industry over the next decade, it is hoped that earnings will be such that it will be possible to attract capital to provide facilities necessary for its constant improvement and development.

10. Questions have been raised naturally as to the probable future trend in price spreads. So far as the retail segment is concerned, there is little evidence to suggest that the buying public will be satisfied with a less attractive form of distribution for foods or any other products. There are influences at work both ways.

The move to the suburbs continues and brings with it the development of shopping centres. Householders in these areas are able to shop by car, prefer to do one large shopping job per week, and have the refrigeration capacity for keeping sizable quantities of food.

These characteristics of one-stop shopping





require large parking areas, large stores, large stocks and great variety. New techniques of in-store handling and preservation have permitted stores to provide these facilities without raising expense ratios where sizable volume is obtainable. Exhibit K.

Efficiency in transportation and storage will also have a bearing on future price spreads. Exhibits L and M.

It is our considered conclusion that expanding facilities will continue to take care of our increasing population with a higher standard of living. This will include continuing public demand for more attractive and convenient shopping facilities and products; a demand which is expressed by the consumers' age-old custom of awarding their patronage according to their preferences. Current evidence suggests that continuing technological developments will assure maximum distributing efficiency and a minimum of price spreads in the years ahead.

THE CHAIRMAN: Thank you, Mr. Crimp. We would now like to direct a few questions to you, and you may call on your colleagues if you wish. I think the questions will be mainly on the presentation as you have read it. I should have mentioned we have the questionnaires we sent you and we realize the great bulk of the information will come from that source. We also appreciate the material







in the exhibits here, much of it is factual and helpful to us. I think mainly we will pick up points in the submission you have read this morning.

Mr. MacKichan, have you any questions?

COMMISSIONER MacKICHAN: On page 2 you mention the technological changes that have taken place all along the way. As far as the farmer is concerned, the producer, ~~there~~ have been marketing changes, but there have been, I am sure you very well appreciate, some very substantial capital investment involved in the changes. While they reduce the cost of production, certainly in one sense, if we judge by the farmer's price, the base we have here and the chart on the wall, they just have not been too effective in narrowing the spread. What opinions would you have on that situation?

MR. CRIMP: I think I understand your question, Mr. MacKichan. In the move through from an era where the processing of the raw product was not as advanced as it is today, with the capital investment required to do that processing, you feel it has added something. I think that is correct. Obviously a capital investment would add something but undoubtedly those who embark on that capital investment had thoroughly analyzed the marketing of the particular product. They had determined what the <sup>would</sup> potential volume ~~be~~ be within the trading range of that plant. While it might take some time to





achieve what we have referred to as an economic volume to go between the producer, the processor, and the distributor, with all schemes working together we feel that those initial studies do show there was markets for the product of sufficient volume to make an economic venture. Together we shall achieve that objective.

COMMISSIONER MacKICHAN: I would like to say "substantially" rather than as you said "something".

MR. CRIMP: I would agree with the use of the word "substantial". I believe that in order for us to do the job that is ahead of us in the third business in Canada substantial, well-conceived, well-planned capital expenditures will be required to do the job of the future.

COMMISSIONER MacKICHAN: In the second paragraph you mention: "The human element is proportionately more important than in factory or field production."

MR. CRIMP: I think I could elaborate on that, Mr. MacKichan. I think there are those of us who are acquainted with what we call factory production. Now let us go back to the farm. First of all there was the swathing machine and the picking up of the combine and later on the combine that did the whole job. So it is in a factory operation possible to produce equipment for the handling of





merchandise which will show a very definite trend toward improved productivity.

In the case of the retail store I think what we are suggesting here is that there are so many things in a retail store which require that they be done by hand. Now there are some changes. I read of a frozen food warehouse where all you do is push buttons and the stuff comes out of doors. Those are all things which we explore but they are applicable more to the back stage job. The matter of waiting on customers, the preparation of food in readiness for the customers' purchase, requires, we submit, to a larger degree of personal hand labour than that which is applicable in the back stage operation.

As an example of that there is reference in this particular paragraph to Exhibit B. What we have in mind, I think, is shown clearly there. In the matter of grading eggs, for instance, the rate of wages in the period covered went up 88 per cent by the introduction of new equipment and the improved methods that were necessary to utilize that equipment. We have succeeded in paying an increased wage rate, 88 per cent higher, and through what we call efficiency we have succeeded in holding that portion of the wage rate to an increase of only 8 per cent. In a back stage processing operation it is a clearly marked and defined thing where







equipment will do a job. We submit, sir, that up to this point -- and mind you we will not relinquish our efforts at all in connection with it -- we are doing things mechanically in the store but we are not there yet. We have a lot of improved mechanization. We don't have to wind the cash register by hand any more. They are electric. The cash registers still require to be punched by the cashier and of course we all enjoy the pleasant smile we get when she waits on us.

COMMISSIONER MacKICHAN: We notice they add up the various items that go into it.

MR. CRIMP: Does that answer your question?

COMMISSIONER MacKICHAN: I was thinking when you were enumerating the things that the farmer did he would pretty well need to compare with the chain store manager.

MR. CRIMP: I don't seem to be hearing too well.

COMMISSIONER MacKICHAN: As you were enumerating things the man on the land would do before he purchased one of these high-priced machines I was thinking he would need to be pretty well in the category of a chain store manager.

MR. CRIMP: I think you are one hundred per cent correct, sir. From personal experience I know this. I think it is most encouraging to all Canadians that the young men, many of whom are





person~~al~~ friends of mine and whom I have visited, have an immensely greater capital investment in the farm than his father had. The old homestead represented work and was built up to value. The young man has gone out and bought a farm. He has a capital investment and he has to have some loans. Now when the drought comes, as it did this year, for strawberries, what was his decision? Irrigation. Naturally it was irrigation. He went and borrowed some more money and got the irrigation. The end result was that the crop was a success, the grade was terrific. He got a wonderful yield. Personally I feel great encouragement in the young men. They are business managers and they compare, in my opinion, very favourably with the finest chain store managers.

COMMISSIONER MacKICHAN: In the next line you mention:

"Unless drastic cultural changes take  
"place, distribution cannot lend itself  
"as favourably to the application of the  
"increasing mechanization."

MR. CRIMP: I think the use of the word "cultural" there, sir, is used in reference to what we think of as changing requirements in our society. For instance, under terms of an emergency, as during the First War and Second World War, Canadians generally were quite prepared and did put up with things





they would not put up with in peace time. There would have to be a great cultural change. The answer to that, sir, we have not yet found.

COMMISSIONER MacKICHAN: Some talk of productivity runs through paragraph 3. You probably remember the time when there was some great credit to the man who would make two blades of grass grow where one grew before. I suggest if somebody has not provided a market for the first blade the man is far from being a benefactor.

MR. CRIMP: Were you making a statement there or asking me a question? If you were asking me a question I would have to make an answer. If you were making a statement I would have to say "Amen" to what you said. I do feel in an enlightened age we do require to look forward to those things which we feel may take place in the future.

Now just two weeks ago I was in Fredericton and found out the farmers had been using too much fertilizer on the potatoes, thereby increasing the spread. It had been one ton and now they use 1400 to 1600 pounds and do a better job. So they will now save considerable in the amount of fertilizer. This is an enlightenment brought about by collaboration between the producers, the government and the distributor.

COMMISSIONER MacKICHAN: My question was following closely on the statement. I am looking







at Exhibit C. I know I am too far removed from the Niagara peach area. If you would discuss the last line of the second paragraph -- liaison between the producer and distributor.

MR. CRIMP: You are referring there, Mr. MacKichan, to page 2 of our brief?

COMMISSIONER MacKICHAN: Yes.

MR. CRIMP: Exhibit C?

COMMISSIONER MacKICHAN: Yes. Give us your ideas on the producer and the distributor getting closer together there.

MR. CRIMP: I have so many thoughts in this connection. The area that you are in, sir, is one of the very largest areas surrounding the spread and an area in which we have not done those things which could be done. For that reason could I ask for your indulgence?

When you ask if I would like to express an opinion, my mind is full of things about this. Perhaps there is some specific aspect of it you would like us to discuss.

COMMISSIONER MacKICHAN: The specific attitude would be reducing the spread.

MR. CRIMP: How the spread could be reduced by collaboration between the distributor ---

COMMISSIONER MacKICHAN: The processor and consumer.

MR. CRIMP: And in the case of peaches have



THE  
OFFICE OF THE  
SECRETARY OF THE  
NAVY

WASHINGTON, D. C.  
JANUARY 1, 1900

TO THE  
HONORABLE  
MEMBERS OF THE  
NAVY DEPARTMENT  
AND  
THE  
NAVY OFFICERS  
AND  
SAILORS  
OF THE  
UNITED STATES

THE  
NAVY DEPARTMENT  
HAS THE  
HONOR TO  
ACKNOWLEDGE  
THE  
RECEIPT OF  
YOUR  
LETTER  
OF  
THE  
1ST INSTANT

AND  
IN  
REPLY  
TO  
ADVISE  
THAT  
THE  
NAVY  
DEPARTMENT  
HAS  
THE  
HONOR  
TO  
ACKNOWLEDGE  
THE  
RECEIPT  
OF  
YOUR  
LETTER  
OF  
THE  
1ST INSTANT



marketing agencies. Is that the question?

COMMISSIONER MacKICHAN: In particular, yes.

MR. CRIMP: I will try and answer that, Mr. MacKichan. There are many ways you could approach it. Our feeling is that one of the greatest factors in the producer refusing the maximum for his product is in the knowledge that he will be able to sell it. That knowledge can only be gained in one way if the person who is going to buy the product evidences the interest in it and has sufficient courage to commit himself to buy a quantity of the product which he feels he can market. Then and then only can Mr. Farmer go back to his peaches and watch them as he is required to do. Not daily, he is required to watch them hourly. If he could devote his full attention to the bringing up of that crop tenderly, picking it at exactly the right time, applying sprays at the right time -- if that could be accomplished and if he were convinced he could market the product it would produce such a result, sir. I suggest to you that the economy to be effected by that type of liaison could be very considerable in Canada in the future. Does that give you one aspect of it? I could give you the other side.

I could take you back to 1925 when the farmers loaded up a wagonload of potatoes and came





down the avenue and the first grocery store there gave a dollar a bag for the potatoes. By noon things were not looking too good and the farmer was getting nervous and if somebody gave him 75 cents he took 75 cents. Then came three-thirty in the afternoon and he still had ten bags on his wagon. What do you think they sold for? Fifty cents. The poor guy that bought them for a dollar this morning is in a rotten position in competition with the fellow that bought them at three o'clock for fifty cents. I trust we are past those days.

We recommend these things be the subject of thoughtful and careful study. It requires every segment of the industry to show a definite interest in it. What we think of is a genuine interest. That is our opinion of how the spread could be narrowed in an enlightened age through cooperation at all levels of this industry.

COMMISSIONER MacKICHAN: I believe a co-operative marketing agency might help at the producer level.

MR. CRIMP: That is another big subject. May I refrain from commenting on your comment? I would expect perhaps that subject might develop as we move along. I would like to deal with it; I would like to answer it. I think I can be helpful. I should not say "I". I apologize if I used the first person. It is not intentional. I not only





refer to "we" as Dominion Stores Limited. I would like very much to include Dominion Stores Limited as only one segment of the retail section of the food industry. Certainly it is only one section of the food industry as a whole. If in my discussions I use the first person or "we" as Dominion I trust you will overlook it and understand that we mean the whole industry.

COMMISSIONER MacKICHAN: There is just one other thing I would like to have your views on. You have a paragraph on fresh fish. What has been your experience in the last few years with fresh fish as to the quality of the product and the merchandising of it and acceptance?

MR. CRIMP: The answer to that, sir, is that during my seventeen years and more of retail food experience in Vancouver our company made valiant attempts to sell fresh fish. I hate to admit it, but the facts of the case are it was a dismal failure. There were many things about it why it was a failure. Sometimes the boat did not get in. The fish had not got in the net at the right time or fog closed in or the weather was too rough. Perhaps it was not the season to fish for that particular type of fish. From actual experience I would say that in our store in Vancouver today we are making another valiant attempt. I think we have an excellent supplier and we have fresh fish now on a self-service basis. I have got my







fingers crossed. It has been good up to date. I hope we make it but as a means of marketing the products of the sea, sir, I am sorry to admit to you that the retailers across Canada have failed to even come close to doing a good job of marketing fresh fish. I am prepared to say that it is not the way to go about it. There are better ways.

COMMISSIONER MacKICHAN: I am sorry. I referred particularly to frozen fish.

MR. CRIMP: Oh, frozen fish. That is another subject entirely. I think the possibilities for frozen fish are terrific. They are limited only by the imagination of the people who are doing the processing, the attention they pay to technological developments in equipment. One thing Canada has not done and I think must do -- and here is another increase in the spread -- I think our fishing factories must be government inspected. They are not today. The possibilities for the merchandising of frozen fish are terrific and we look forward to the day when they will be much greater than they are now. They are already much greater and we are getting them widespread throughout Canada as rapidly as we can get the frozen fish.

COMMISSIONER MacKICHAN: I would like to say that the Federal inspection is coming. This inspection on a voluntary basis is available now.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2882

MR. CRIMP: I am glad to hear it will be available. I think you will agree with me, or anyone who has even been close to some of our fish packing plants, I think you will agree it is necessary. I have seen them with no screens on the doors. As a matter of fact, just three weeks ago I saw a great big pallet load of beautiful fillets left out at a temperature that day which was 85 degrees. I wonder whether those fillets were Grade A when they went in the package?

That, sir, I suggest is one of the things which we can do together to reduce the spread. That fish was wasted through carelessness and that increased the spread.

COMMISSIONER MacKICHAN: I would like to say that inspectors have been trained for the last year to look after just such cases.





C  
ET:12  
9/17

COMMISSIONER MARTIN: Mr. Chairman, I would like to say at first that I agree with what was said, that production, processing and distribution constitute one industry, and that one industry can only be prosperous with collaboration between all the three groups.

Now, I would like to ask you one question related in some way to that chart. In your brief, on page 6, in the fifth paragraph you say that:

"... the large stores have proven successful in developing considerable selling power."

While there is no doubt that it is true, according to patronage received from the consumer, and I think it is true too that you did not gain that patronage only by advertising or promoting, I am inclined to think that your branches should have been competitors.

Now, according to figures collected from some chains and some independent stores, it seems that the gross profit margin in chains is a little higher than in the independents. You mentioned before in your brief that maybe the non-food business has some indication in that. In various briefs we have been told that the chain store had acquired the ability to command a lower price in buying. We have been told that. Maybe it is not true. Referring to that chart, I am just asking





if that ability to command a lower price at the buying end -- particularly farm products -- may have some relation to what happened since a few years; by this, lowering the farm price. I hope it is not an unfair question. If it is, please do not answer.

MR. CRIMP: I cannot consider your question unfair, Mr. Martin. However, I would like to give an intelligent answer, and I would respectfully suggest, Mr. Chairman, this is an important subject in so far as this Commission is concerned. I think, Mr. Martin, your question deals with fresh produce. Am I correct?

COMMISSIONER MARTIN: Yes.

MR. CRIMP: Would you care, sir, to narrow that a little more for me? I have good reasons for asking your help in that direction. Could you move to perhaps some more specific area? Fresh produce really covers the waterfront, and I would like to help you with intelligent answers, and if we could narrow it down a little I would appreciate it.

COMMISSIONER MARTIN: I am just trying to ask you a question in a very general way and in reference to that. Would you just try to explain that?

MR. CRIMP: In a general way, sir -- the file I thought I had immediately available I find I







have not -- however, in a general way I would like to quote for you the aim of Dominion Stores Limited, which I would respectfully suggest is not just so many words. This, sir, is the basis on which we trust, with every effort at our disposal, every ounce of energy we have, we shall develop our business in accordance with this aim.

The aim of Dominion Stores Limited is to fulfill with ever-increasing efficiency its responsibility as a distributor of food, thereby performing a satisfactory service to the consumer, producer, manufacturer and processor, to discharge its responsibilities to shareholders whose investment makes the covenant possible, and to provide its employees with a satisfactory living under the best possible conditions.

I could deal with specific cases, Mr. Martin, in the matter of the purchase of fresh fruit and vegetables. Potatoes from New Brunswick and Prince Edward Island, and merchandise from all parts of Canada, and I believe from individuals, from Co-operatives, from marketing boards sponsored under government agencies -- I believe that our methods of procurement are such that we have made and will make an honest endeavour to buy properly, to pay a proper price, that we trust will return to the producer a proper return for his investment, and likewise a proper investment





for his labours.

That, certainly, is our objective. We work at it every day, and we trust, together with others in the industry, there will be opportunities in the future, as there have been in the past, for us to be of great assistance in raising that price considered to be below what we think of as an economic level for the producer.

That applies to Mr. MacKichan in the fish business. The fish business today is not economic -- let's face it. We are buying our fish at the market prices, paying the proper price for that fish as quoted. That is not, at this point, an economic price. It does not give the fisherman enough money. Our job and that of all of us in distribution is to deal with the mechanics of this thing, and those mechanics I respectfully suggest is the ability to bring the thing about that you and I both hope will come about through enlightened merchandising and cooperation.

COMMISSIONER MARTIN: I would like to say I did not refer to any specific case, but just the previous statement here, and I would like to say that I am quite satisfied with the answer.

MR. CRIMP: Thank you, Mr. Martin. It is extremely difficult to answer -- I might add as are all matters. I am sure those other gentlemen on the Commission realize that what one farmer thinks





of as a good price, perhaps somebody else is not quite in agreement. We have disagreements in all levels. Perhaps it is a good thing we do, and we come about with a better end result.

THE CHAIRMAN: I think we are just getting warmed up, and with your store forbearance we will probably have you here for the rest of the morning. Since this is about half time, I suggest we take a short break.

MR. CRIMP: Thank you, sir.

---A short recess.

THE CHAIRMAN: Will you come to order, please? Mr. Martin, have you any further questions?

COMMISSIONER MARTIN: No, not at this moment.

THE CHAIRMAN: Mrs. Walton?

COMMISSIONER WALTON: Yes, sir, there are one or two questions I would like to ask. In your brief you have a definite recommendation on page 4. It has to do with waste reduction, and you say:

"We recommend that co-operative research

"be encouraged in official quarters."

What have you in mind, or could you tell us?

MR. CRIMP: The last comment, Mrs. Walton, is down towards the bottom of the paragraph,

"Much still remains to be done in this

"area of waste reduction and we recom-

"mend that cooperative research be en-

"couraged in official quarters."







COMMISSIONER WALTON: It is the "official quarters" and "cooperative research".

MR. CRIMP: And higher on the page, could you just point out to me -- do you refer to where paragraph 5 starts?

COMMISSIONER WALTON: Yes.

MR. CRIMP: "Reduction of waste through skilful distribution methods."

COMMISSIONER WALTON: "Much still remains to be done in this area of waste reduction", and then you have a recommendation, and recommend that "cooperative research be encouraged in official quarters". Could you suggest what you had in mind, or the method by which, or what official quarters?

MR. CRIMP: I would like, Mrs. Walton, to say again this question of the reduction of waste in our opinion is the biggest single factor with which we have yet had to deal. It is not present to a greater extent perhaps in one area of the food distribution business versus another. We find it present at all levels.

Now, let us take, if we may -- or perhaps you would like to explore the consumer aspect a little more than the back stage, or which would you like to move into?

COMMISSIONER WALTON: Actually it was the mechanics of the co-operative research.

MR. CRIMP: The field in which we refer to





waste, Mrs. Walton, covers things which in the food distribution business, to some people might appear to be so small as to not be worthy of recognition. Had we taken that approach, the food distribution industry in Canada would not have been in as good condition as it is today, and prices would have been higher.

The type of waste we refer to is the reference made here in the matter of trimmed beef, for instance. As a consumer, I am sure that you will recognize that in times past in Canada a prime rib roast could have been cut by the length of the steak knife, and when so cut, contained at least two very distinct types of meat, one which required oven roasting, and the other required moisture cooking or braising. Today the prime rib is a prime rib, and the short ribs are short ribs, and these tails have been removed so that the flank that was there now is in the hamburger where it belongs.

COMMISSIONER WALTON: Actually, what I had in mind was that your recommendations says cooperative research should be encouraged in official quarters. Now, I would guess from that you are suggesting there should be some body that would -- I just wondered have you any specific idea?

MR. CRIMP: Yes, I think what it requires is to be narrowed down to the specific things that require to be done. The type of waste that I





could refer to would include an instance which came to my attention some time ago, and which I brought to the attention of the Canadian Potato Growers' Association at Guelph a little over a year ago.

Seven carloads of potatoes on track one morning, each containing 4500 ten-pound bags, on opening the cars it was found that those potatoes had not been permitted sufficient time before packaging to permit the field frost to have shown up. The result was that they were packed just as they were brought from the pit into the bags. The weather was cold; heaters were put in the cars, and Mr. MacKichan and Dr. Drummond know what the result is -- the frost showed up.

Seven times 4500 ten-pound bags of potatoes had to be unloaded from those cars, each and every bag had to be destroyed. The potatoes had to be regraded and put into new bags. That is a single example, Mrs. Walton, which is not an unusual circumstance.

There are things which we -- and when I say "we", I would respectfully request, sir, that in mentioning incidents such as those, the farthest thing from our minds is to criticize the shipper who shipped them or the grower that grew them. We are part of this parcel. It is only through working together that these things can be corrected.







That type of waste, Mrs. Walton, amounts to thousands and thousands of dollars in Canada every day. I can cite you another instance of a carload of peaches last year which left Ontario. On its arrival at point of estination, examination by the Department inspector indicated that fifty per cent of the peaches were so rotten they immediately went into the garbage. The remaining fifty per cent had to be regraded and sold at a very low distress price.

I suggest, Mrs. Walton, respectfully, that the freight paid on that portion which was thrown out, and all the additional labour which was involved, constitutes an area of the spread which is within the reach of an enlightened group of people to do at least something about eliminating. Those peaches should never have been shipped. They were not evidently in proper condition, so the coordination between those things -- and the same thing is true each year -- the liaison between our people who grow things, the type of potatoes that are produced and the percentage of them that will not grade No. 1, that constitutes part of the spread. That can be eliminated through proper soil analysis, proper soil treatment, proper rotation of crops, proper selection of seed and cultivation, disinfecting and then finally, harvesting. The incidence of mechanical injury to potatoes in Canada,







that in itself is a terrific waste. Fantastic. I think Dr. Drummond would know a lot more about that, perhaps, than I.

We can go on with various items, moving through and even coming to a point, Mrs. Walton, coming down this close to the matter of operations of a food distribution centre: the buyers set about to buy the merchandise required for the plant, and the boys whip through and do a wonderful job, and the quicker they can get those buying orders off their desk, they feel perhaps they have been really efficient. However, the thing is only started. The manner in which that merchandise arrives at the distribution plant and the ability to spread its receipt not only by days of the week but by hours of the day, will determine the efficiency of the plant, labour and facilities. Terrific savings are available whereby we can say: "Bill Jones is bringing us a load of canned tomatoes." Instead of saying, "Bill Jones is bringing them Thursday next week," if we say we want those tomatoes Thursday at ten a.m., and his truck backs immediately into our dock at ten o'clock and is promptly unloaded instead of having everybody coming Thursday at ten o'clock and unloading fifty trucks that are standing outside, and some of them standing three or four hours, that is another area in which we feel waste is present, which we are doing our utmost to eliminate. We have not got as far as we would like





to go.

COMMISSIONER WALTON: I was interested in the waste reduction because obviously it should narrow the spread, and we are aware of the waste, but I just thought perhaps you had a specific method.

MR. CRIMP: When we refer to "official quarters", I think we would wish to include in that those government agencies, both federal and provincial, which are presently dealing with those matters, and various associations throughout the food processing and distributing fields together with the consuming public in order that we might study and deal with those matters together. I think that is the area.

COMMISSIONER WALTON: Thank you. On page 3, in section 4, this whole paragraph indicates that with the additional variety of services that have been put into merchandising today, which are of value to the consumer and she has liked them, or the customer, I should say, I would think and we know that there is a great deal of competition based on the introduction of new products. I mean every time a new product comes on the market it has to compete for a place in the sun and with established markets. In the retailing end of it, could you tell us how a new product cracks the ice and gets a place on your shelves or in your store when it is being introduced?





MR. CRIMP: That is a very excellent question. I trust I shall do justice to it.

Obviously, regardless of how big we build our stores, it would still not be possible for us to handle everything that everybody produces or manufactures, or every size and shape and so on that they elect to have. So then the judgment of the merchant comes into play, and here we feel is the area in which our communications with our customers play a very big part. In order to do this job effectively we must be in constant communication with our customers. I think perhaps those of us who have been in the industry for a long time feel that perhaps we may be able to read Mrs. Consumer's mind by intuition or some sixth sense.





I am very sorry to admit that after 42 years in the food business I have finally arrived at the point where I cannot judge those things on which Mrs. Consumer would put her stamp of approval. However, we take all the mechanics available to us - past experience, the type of products the range which we already have - and then we set about to study whether or not we feel there could be a consumer demand for the product that would be sufficient to warrant us starting it.

There are a great many ways of doing it. Some people in the food industry have consumer panels of their own which they submit samples to and gather opinions. There are other research organizations that are available to provide an excellent sampling across Canada as to their consumer panel reaction to that, and we have your own organization - and we are closely acquainted with many of the members - but, after all that is done today, I think, there are things we feel we cannot handle; we haven't enough space. We have got a good range, and we feel this range is doing a good job, because we have not had a demand as such from our customers for something more.

COMMISSIONER WALTON: Then, it takes promotion? There has to be a promotion of the product and have it established?

MR. CRIMP: Not necessarily, Mrs. Walton.





That is one of the things which I have learnt recently that is not necessary - - pardon me, in every case, I should add.

I would like to point out that in this matter our judgement as to those brands within the range of products which we would have on our shelves might not necessarily correspond with those which you would find in our friend's next door or across the street, or anywhere else in the city. Our opinions differ in these matters, and perhaps that is one of the things which develops in each of us, independent, chain, or otherwise, a character which people come to believe in and enjoy. We finally say, "We don't know; let us test it", and in the past few years we have found that our test stores have done more for us than anything else we have aggempted. We put the merchandise out and give it what we feel is a good representative display. We do not do anything special about it to make it sell. We put it on the shelf, give it a good showing, and see how Mrs. Consumer reacts to it, and then, when the test stores have shown us the pattern, we endeavour to make our decision as to whether or not there is sufficient consumer demand for the particular item. That really is the process, and it is amazing what happens. Just very recently we brought in a big shipment of fruit in two-pound polyethylene bags - frozen fruit - and to my amaze-





ment the two-pound polyethylene bag of rhubarb at two-pounds for 39 cents was one of the most popular items we had. It was terrific value, and I think perhaps I had to scratch to find out the reason, and the only reason I could think of is that my mother used to make strawberry and rhubarb jam, and this rhubarb came in at the time of the strawberry season, and people wanted it. As a merchandiser, I don't think I would have selected that item, but our test stores showed us that.

COMMISSIONER WALTON: How do you introduce your own brand names - the same way?

MR. CRIMP: We have very few items under what are commonly called in the trade "private brands". We are a nationally advertised firm. We have gone in the direction of the nationally advertised items, and our items under private label are very limited. Where we have them we have endeavoured to apply those techniques which are proven techniques in the launching of a new product, to endeavour to put it in a proper package with the proper design, a fit label, and endeavoured to give it some advertising support which we trust would help to bring the volume up to our expectations. We use the same techniques as other brand promoters would use, on the national scale.

COMMISSIONER WALTON: We have heard in several briefs presented to us quite a lot about







packaging, and the Commission has asked many questions about it. I think it was the day before yesterday we had a representative here on the question of brand names and packaging, and we appreciate that good packaging and colourful packaging is attractive, but what I have often wondered is - - one of the gentlemen here the other day said that if someone comes out with a new package, and perhaps felt it had a better colour design, then his competitors come out with a new package. So, they take a look at their own and they think they will have to put a new colour in, and I think his observation was: "How stupid". It is not the fact that the package was changed so much, but the colouring of the package, and there is continual competition. It must superimpose a cost, but does it increase percentage wise the total consumption of that product?

MR. CRIMP; I don't want to give a general answer to a specific question, but in order to answer your question intelligently I feel I would have to narrow it; that is, as a general statement, to say that a change of package, design, type of colouring and so on, would or would not be what we think of in terms of added cost - that is, it would have the end result, perhaps, of raising the price. I don't think anyone connected with the food industry could say that generally it has or has not. There are cases where change in







package design and method of packaging, the colour, shape and other things, have brought phenomenal results in the matter of volume.

COMMISSIONER WALTON: For that one product?

MR. CRIMP: For that one item, and the additional expense in packaging is, in our opinion - and some may differ with this opinion - that this becomes in the area of what we think of as brand promotion, and it is not unlike something which is age old. I know when my first daughter went to school, and the first blazer came along, it was not long until Marjory had a blazer, and it is not unlike that. A brand is a very personal thing; it is our livelihood when we are a processor, and the evolution which is necessary to make our business efficient and strong - all these things are elements in the evolution and development of distribution as we know it today.

COMMISSIONER WALTON: Perhaps what I had in mind was that promotion and advertising - whatever the whole thing is - I am persuaded to wait for a 1959 car, and maybe in 1958 I bought a new washer because I was sold on the idea, and everything, and I am just wondering with the promotion of various forms of packaging and colour if I am going to be persuaded that "X" rolled oats, that I should buy the September edition of a company -





or, "X" company - because he has put a new package on. Then, the competitor, "Y" company of rolled oats, he says, "Well, I have got to put a better dress on mine because "X" is taking the business; his volume has gone up through more attractive packaging". So, "Y" goes into competition with a new dress, and perhaps it goes on to "X", "Y" and "Z", and they have got to change their form to get back some of the volume that they have lost. Isn't that rather costly, that if "X" firm just momentarily gets a larger share of the market - and he may keep it - and at someone else's expense - - of course, it is competition, and he has to try to get part of it back. Doesn't that superimpose, perhaps, an unnecessary - - I wouldn't know where to stop it - - but wouldn't you admit it might add to the cost spread?

MR. CRIMP: I would hesitate a little bit, Mrs. Walton, on that one. Again, you have to narrow it down a bit. What I would like to say to you is that I can cite many instances of products - let us narrow it down to products - where a store package, in our opinion was hum drum, and all of a sudden this thing sparks up, and the total volume in that product by "X, Y, Z" company - all of them - have benefited from snapping out of their lethargy and getting modern and appealing to Mrs. Consumer. In our days rolled oats took twenty minutes to cook.





Now I believe with some of them you can do it in less than a minute. Well, if I elected to stay in the twenty minute area, and with exactly the same package as I had 40 years ago, I am afraid I would not be in the rolled oats business. This is a competitive world: Everything we do, and the very development of itself, we feel, comes about through this process of evolution. I, however, would not wish to say that some processors or manufacturers, through ill conceived plans, perhaps have not been as successful as they might, but I could not subscribe to the fact that the packaging as such - - perhaps he didn't spend as much money on advertising. I would have to look at the whole package to find out whether or not it had, in fact, increased the price. Personally, I would like to endeavour, in the range of products we carry, to find in my mind an example of what I would think was a complete failure, and I fail to find one. I am quite a believer in good packaging; I think it is a necessary part of the business.

COMMISSIONER WALTON: Thank you. You don't keep the failures on your shelves?

MR. CRIMP: Mrs. Customer, however, as you well know, whether it is the price or the product, or the shape of the package, or the colour of the package - or whatever it is - Mrs. Customer is pretty definite in her desire as to what she







wants or does not want, and one that does not fit does not sell and pretty soon it is off the shelf. That happens every day of the week; that is not something that does not happen. It is happening all the time. The process of evolution goes on daily.

COMMISSIONER KIDD: In section 10, on page 7, you say the move to the suburbs is changing shopping habits. We have heard some statements to the effect that the consumer, when he buys in the manner you have demonstrated here, is absorbing a hidden cost for delivery and storage, more so than when he buys in other ways - for example, from the small corner grocery store: I would like to have your comment on that.

MR. CRIMP: I think I understand your question, Mr. Kidd: It is that, is the once a week big shopping job more costly than frequent trips to the store?

COMMISSIONER KIDD: Well, that is inherent in the question, yes.

MR. CRIMP: You say that it is inferred that someone is absorbing some cost: Could I ask just to what you refer in that matter?





COMMISSIONER KIDD: I mentioned the transportation to the store and back, and the storage of the products that they buy in that once-a-week shopping.

MR. CRIMP: I don't know that I am just exactly getting your question. What I have in mind is we are talking now about a cash-and-carry store that we would think of as being in a densely populated area amongst a lot of other stores, versus a food stores in one of the outlying areas, both on a cash-and-carry basis.

COMMISSIONER KIDD: No, it is not so much that. If we assume that chain stores, by the method of distribution, sell products at cheaper prices than the independents, is this not offset by the fact that the customer has to go to that store, pay his transportation or delivery charges, if you would put it that way, and return home with his once-a-week shopping and then provide storage for it? You will recognize, Mr. Crimp, and I am sure Mr. Sutherland will, that this question and some others I want to ask you flow from some statements made to us here.

MR. CRIMP: For that reason I want to try and deal with it properly. That was my reason for asking are we talking about two self-service stores. That is one point to start at.

COMMISSIONER KIDD: Let us take it on the basis, in addition to what I have said, that the





alternative is buying from a small independent store several times a week and getting delivery. It may be that makes it clearer.

MR. CRIMP: Do you mind if we try and take it piece by piece? I think if the measurement, Mr. Kidd, you wish to put on this is a measurement of Mrs. Consumer's time in doing the shopping act, if that is what we are putting a price tag on, could we move in that area?

COMMISSIONER KIDD: I am not so sure I would agree with that interpretation of the question. You see, I am thinking in terms of some things in your submission as well as what we have heard in terms of the advertising campaigns, upon which you elaborate in your brief, to get people to go the chain stores and do their shopping in the way most of them are now doing it. I would rather take it from that point.

MR. CRIMP: I think, then, Mr. Kidd, we would have to reach back a bit. When we are speaking about our advertising as such we are endeavouring to communicate to all those people who we consider to be within the trading area the package of services which our company has to offer to the consumer public. That package of service would include all those things which go to make up what is commonly thought of as satisfaction in the consumer's mind. They incorporate, first of all, finding the things she would like to have, the brands and sizes she





would like to have, the atmosphere in which she can do her shopping, the knowledge that the merchandise which she buys is fully guaranteed and also the price she pays for the product is likewise one of the factors that go to make up value or satisfaction. This is the parcel which we have to offer. I think the consumer, we would agree, is the final arbiter as to whether the package we or some other merchant has to offer is the package which gives her the type of satisfaction which she wants. I think the economist would agree that if we fail in any segment of that bundle of services, and if we fail in a great many of them, I am afraid the economics of life would soon wash us out because Mrs. Consumer is a very discriminating buyer.

COMMISSIONER KIDD: I am not going to quarrel with you about Mrs. Consumer being a discriminating buyer at all. May I assume from what you have said that you believe the drawing of the customers into the trading area and providing the services you mention would then offset the factors of hidden delivery charges plus storage that Mrs. Consumer must also pay?

MR. CRIMP: I miss the point a wee bit. I hope you can help me. In the very large portion of our business we don't have any delivery. In some places we do, weather and other things affect it. The big bulk of our business is strictly







cash-and-carry. You see, what I am getting at is when you talk about hidden cost of transportation I am thinking of the cost of transportation of the customer to the store, or is it the goods from the store to the home?

COMMISSIONER KIDD: Clearly it is both things. Let us say the customer has to travel a certain distance in her automobile and pay for the gas and the expense of running an automobile, let us say it costs 40 cents a trip to the store. On the other hand you might buy from a small grocery store and get delivery although the price might be higher when you consider the other factor it levels off.

MR. CRIMP: I think I understand now. I think in the matter of price the consumer adds these things up in her mind and they pretty well determine what they would like to do in that connection. I am sure there will always be a place for the other service. If I may I would like to point out to you, sir, that something has happened. Again this business of evolution is at work. It is a wonderful thing that has happened, really. It is not too many years ago when the housewife was saddled with the entire responsibility of food marketing. She not only had to figure out where she was going to go, how she was going to get there, how she was going to pack it home or have it sent home, she got





no help from the better half at all. Fortunately today the men have seen the light and today food shopping has become an exhilaration. We feel that the supermarket of today has made a wonderful contribution in the matter of home life. There we find the families. I am not just drawing this up as something to be funny about. Statistics will prove that the incidence of families shopping today are higher than they have ever been in history. The food shopping is a family outing.

COMMISSIONER KIDD: This is one of the cultural changes.

MR. CRIMP: The enjoyment people get at the food store is one of the big items of the week. We think it is a wonderful forward step. That is why I find myself having trouble putting a price tag on the transportation. Have I come anywhere close to being helpful in answering the question?

COMMISSIONER KIDD: Well, you are very capable at answering questions, Mr. Crimp. In the list of items in Exhibit "K" it looks as though additional facilities in retailing have been aimed at drawing in customers whereas on the other hand, apparently, more of the facilities to increase the volume of the processing has been to hold down costs. Could this latter method not have been applied more in retailing and this might have resulted





in lower food costs?

MR. CRIMP: I am glad you brought that up because this is an area in which I think possibly our presentation here might not set it out quite as we should. It is difficult in a brief to get everything in. Such is not the case, Mr. Kidd. When we talk about displays, which to the uninformed is a matter of trying to excite people to buy, there is a great deal more to it than that. Our grocery shelves where we put canned goods, for instance, are scientifically designed and they are designed to bring about the very things in which this Commission is interested. How can we lower the cost of food distribution?

Just as a very small example I would like to point out to you that in our grocery shelving you will find a slight incline. This does two very important things. It makes the bottom shelf, which in the old conventional grocery shelving was completely impossible to see, it makes it have new life. It gives added impetus to where the bottom shelf today is equal and exceeds in many cases the so-called eye-level shelf.

Now in the matter of the slant, it is a small thing but it is a big thing when it is multiplied millions and millions of times across Canada. To put two cans of canned goods one on top of another standing upright is somewhat of a







trick and requires placement by two fingers to get it right. When this is inclined the merchandise falls into place automatically and the speed at which we can fill a shelf is enhanced terrifically by such a device. It is not a mechanization. We were pointing here to mechanization rather than planning.

In the matter of space allocated to the merchandise on the shelf great study is given by all forward thinking food merchants in that matter. I think we referred to it somewhere in the brief. We talked about taking the shipping case as it comes from the manufacturer and moving it through the various channels of distribution to the point where it goes on the shelf. By merchandise arrangement and by the depth of the shelf we find to a very large extent that with a big percentage of the merchandise we put on display we can sell right down through. When we come to replenish it we can put a full case on the shelf rather than one row and then two rows. The cases have forty-eight tins and if you put six on at one trip and six on at the next trip it would take you eight trips before the case was unloaded. That type of thing has received terrific research.

Now with frozen food, in putting in additional feet of frozen food counter it certainly makes a better display but when you are in the act of putting packages in the case we have some small ones and





if you put three items in one row it takes forever and a day to stock the frozen food case. Now if you have a full row you take the case out and it is all in there and done.

These are things going on every day of the week and there are many of them.

COMMISSIONER KIDD: In your last paragraph there are a great number of interesting possibilities. I would like to ask one or two questions on that. It is stated large scale operations should result in efficiencies at reduced prices.

MR. CRIMP: Could I interrupt you? May I find the paragraph you are referring to?

COMMISSIONER KIDD: The bottom of page 7. As our chart shows we see that the spread between farm prices and the final price is growing. I would like to get your comment on what seem to be one or two factors here. Why has the development of large-scale operations, such as you have been outlining, not resulted in declining final prices? You may say it has.

MR. CRIMP: I understand the question, I think, sir. I think in that respect, I think I said this earlier when I was addressing Mrs. Walton, that if we had not found many, many ways to economize in the food industry we would be looking at a very much worse situation than we are looking at today. I would like to express myself with





due humility. There is a danger when you are talking about things that your own company has done, or the industry has done, you might be patting the company or the industry on the back. You approach a very complacent position. Such is not the case.

When we talk about influences which are present, and I am speaking for the whole distribution industry now, we feel that the combined efforts of the food processing and distribution industry have made a very commendable showing in their ability to offset what have been at times almost insurmountable difficulties in the matter of rising prices of those things which can and do affect the cost of operation of any business. If you started to name a list of them someone might think the one you started out with had some type of priority. However, I think the Commission are quite well advised and if they are not we shall endeavour to the best of our ability to submit those influences and to show those influences and the terrific magnitude to which they have developed. We feel through efficiency we have been able to offset them to a large degree. We feel there could be still further development.

COMMISSIONER KIDD: Mr. Crimp, it has been said the proportion of food sales is falling into the hands of fewer and fewer distributors. Thinking in the terms of the first part of my







question that efficiencies should result in lower price due to large-scale operations, and thinking also of your last paragraph here, what would you say would be the future of prices if this concentration goes on in the way it has been developing? Just to add to that we were given the figure of 70 per cent of food sales by food chains in Toronto here this week.

MR. CRIMP: The pointing out of an isolated area, Mr. Kidd, can show one this way and one that way. The statistics that we have are provided from the best source available and would not indicate those proportions. However, it is my considered opinion, and I think we have stated it in our brief, it is the considered opinion of Dominion Stores Limited, and I believe that opinion is shared by forward thinking food merchants, that those establishments which are referred to by various names, such as independents, voluntary chains, corner stores, and so on -- it is our considered opinion that in the food distribution of the future each of those will continue to play the important part that they have always played in the economy of this country.







MR. CRIMP: We feel that the consumer public has varying needs and has varying desires. I would not suggest for one moment that any one method of distribution would at any time approach being able to render all the services that all the people would want at any given time.

COMMISSIONER KIDD: Just one more point. This is something that again the Commission has heard a fair amount about, and in the first paragraph on page 7 you say: "Net earnings may be sufficient to encourage further investment in food distribution". What would you say to the argument that present prices include sufficient to change those to allow this re-investment, and if this is so - and you raised the point yourself in your submission - why should the consumer be compelled to invest through the price mechanism in an enterprise which he may feel has already reached its optimum size? Why should the enterprise not raise funds by selling stocks or bonds in order to pay for its financing rather than taking care of it through the price mechanism?

Following this up a little bit further, would you agree or would you not agree that the investor should have the opportunity, if he wants, to invest in any particular enterprise?

MR. CRIMP: I think you have your questions written down, Mr. Kidd. Could we take them each in





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

their turn? Could we take them one at a time?

COMMISSIONER KIDD: All right.

MR. CRIMP: I think I recognize about four questions.

COMMISSIONER KIDD: All on the same point.

MR. CRIMP: I would like to try to answer them, if I can, to your satisfaction and to the satisfaction of the Commission generally.

COMMISSIONER KIDD: The first one was the point that has been raised to the Commission that present prices includes sufficient to provide for re-investment. Would you say that is so?

MR. CRIMP: In answer to that question, sir, I think I would be making a correct statement if I said that it was not the case. That there are other factors which are required over and above.

COMMISSIONER KIDD: You say that is not the case, that the price as charged does not include sufficient for re-investment? Is that your position?

MR. CRIMP: Quoted just as such, there are other influences that would be required to be taken into consideration.

COMMISSIONER KIDD: But in your first paragraph on that page I believe you do agree that your net earnings have been sufficient to allow for re-investment?

MR. CRIMP: There has been some re-investment of earnings, sir, yes.





COMMISSIONER KIDD: Well then, getting on to the main point - you may consider this philosophical, but I am not so sure it is - if it is so that net earnings do provide enough for re-investment, do you think that the consumer through the price mechanism should pay for re-investment in an enterprise which he may feel has already reached the optimum size in his viewpoint?

MR. CRIMP: I would feel in that case, sir, that we are taking a hypothetical individual, and that individual is assuming that a certain industry has arrived at an optimum point, and if in his opinion it had, and he did not wish further to patronize that organization, he would be free to shop elsewhere. The point being has in fact the industry reached the optimum.

COMMISSIONER KIDD: The investing public might want to invest somewhere else, but it has been a contention that has been made, that the prices charged in fact do not allow him the opportunity of discrimination.

MR. CRIMP: Would you mind saying that again? The prices charged do not - in other words the value is so good in the store you are talking about, he cannot afford to go elsewhere.

COMMISSIONER KIDD: No.

MR. CRIMP: That is the case, but I do not think that is what you have in mind.







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

COMMISSIONER KIDD: No, that is not the point at all. I want your comment on this point that has been raised that prices charged for foods today provide sufficient for re-investment. Now, does that not remove from the investor the chance to decide where his money will be invested?

MR. CRIMP: You are speaking now of the individual customer and the price he pays for his merchandise as an investor in the business from which he buys the merchandise?

COMMISSIONER KIDD: Maybe he just wants to buy groceries and not invest.

MR. CRIMP: Pardon?

COMMISSIONER KIDD: Maybe he just wants to buy groceries and not invest in the company.

MR. CRIMP: I think we have to get back, Mr. Kidd, and take this hypothetical case: The whole thing - this whole thing comes back to us as individuals, and if the value for the merchandise bought at "X" store is satisfactory to me, that I cannot go elsewhere to better it, I think, sir, then that it would be evidence that should that company be able to operate successfully under those circumstances, that would be a sound individual or corporation under the free enterprise system, and that that would give us the assurance we need that our economy shall move forward during the years to come.

I think the consumer has the final say as





to the price he should pay. If I was buying a suit and somebody wants \$150.00 for it, and I went to buy it and I want to buy at \$85.00 I am completely free to go and get the \$85.00 one, provided I think it will do all for me the \$150.00 one will. Those principles I feel are prevalent, and in that package of service, Mr. Kidd, I think you will have noticed that I did not put price first on the list. Our studies of the food business would indicate that the consuming public put a very high value on other things which they think of as a complete parcel of satisfaction.

THE CHAIRMAN: Mr. Drummond?

COMMISSIONER DRUMMOND: I would like to start with a question that relates to this once-a-week shopping that you mention in your section number 9 on page 7. We have been told, and I presume this is substantially correct, that there is a pronounced tendency for the shopping in the chain stores to be pretty well concentrated in the latter part of the week.

MR. CRIMP: Yes. I think the figures, Doctor Drummond, would show that taking the whole of Canada, and I think the most accurate figure I have - it may not be exactly correct - but I think 75 per cent of the food shopping in Canada today is done on Thursday, Friday and Saturday. I believe that to be substantially correct. It may vary a little this





way or that, and does vary slightly by areas.

COMMISSIONER DRUMMOND: Would it be true that if instead of that state of affairs, if you could have a substantially even purchase throughout the various days of the week, would that have a very significant effect on your cost of operation and therefore on the spread?

MR. CRIMP: I think it is axiomatic such would be the case, Doctor Drummond, and I think I mentioned that in the matter of plant operation where we talk about a work load. Obviously in a factory the optimum is only reached by the ability of the manufacturer to have an even work load. However, I must immediately combine and say that when we are talking about having loads arrive at our warehouse, and when we are talking about a factory working on an even work load, we are talking about things which are controlled.

Historically, however, in Canada - I suppose because we are an agricultural country basically - we still have, and in my opinion will continue to have, those shopping habits which have predominated in the purchase of food for the last 42 years for which I can speak with authority, and our whole society is built up in this manner. I believe our fathers and mothers and all of us have been accustomed to the Sunday roast and the roast potatoes or baked potatoes, and if we are ever





going to have an apple pie we get it on Sunday, and that we think is part of the Canadian way of life.

Attempts have been made, sir, and I have been associated with many determined attempts to spread the food business more evenly across the week, and I again admit that this is an area on my part at least of failure. Dismal failure. I have not yet found the formula, and I think all I have to do is look in my own home and I know the answer.

This changed a little bit during the war, and some merchants, if they happened to have a case of salmon and that was going to last them a week, they would put a few cans out on Monday and a few out on Tuesday and they got a little more at the beginning of the week, but historically, I think it is part of our way of life, that week-end shopping is with us, and attempts to change it have been made, but they have been such dismal failures that we as a company feel that our role and the role of the food distributor of today is to make our services available to the buying public when Mrs. Consumer wants to buy. If she wants to buy on Thursday night or Friday night we must be there to serve here, and we feel that is our role, and to serve people properly, we should be available to them.







I come quickly back on that to say, within reasonable limits in a democratic society, to which we subscribe. I don't think that will change.

COMMISSIONER DRUMMOND: These attempts to change that have been mentioned, have they included the type of consumer education which would inform consumers of the concrete savings that they might expect as a result of responding in this more even shopping manner?

MR. CRIMP: When you put it that way, the answer would be partially "Yes". In referring to it in institutional copy, which said, "If you shop on Monday, Tuesday or Wednesday you will be making it possible for us to do a better job of serving you" -- we have said that; we have gone so far as to put some extra values in there. We, and others who have tried it, have had special deals for Monday and Tuesday. At one place where I was in charge of a group of stores we took full-page advertisements on Tuesday night, and we really went all out. We were sold on the deal; we thought it was a good thing, and we worked on it, and I am sorry to say, sir, it was a failure.

COMMISSIONER DRUMMOND: Getting back to some of the matters that have been touched upon already, you have made considerable in your brief here of the necessity for what you call closer liaison between producer and processor and distributor.





Your exhibits indicate the type of liaison that has gone on thus far, and I am wondering what your view would be of the type of liaison represented by what is commonly spoken of today as vertical integration?

MR. CRIMP: Vertical integration, to me, is a new term. I think I was exposed to it first two years ago. I have done considerable study in the matter. I would be voicing a personal opinion in this -- and I am not sure the Commission wants personal opinions; however, I can go this far and say that these studies which I have done, which have included the whole of the North American Continent, while on the surface some of them appear to have been reasonably successful, I find in each elements which I, as an individual, would wish to have a great deal more information concerning before I can voice an opinion as to vertical integration being something which should or should not be adopted. I think when we are talking about liaison we are talking of the vehicles which are presently available to us in our society as we know it, with the farmer a free enterpriser just as much as we are, and enlightened people endeavouring to take the marketing concept. You know it so much better than I do. For heaven's sake, here I am with a farm and I grow some potatoes and I think they are good, and you have got some and you think





they are pretty good too. I am on the front concession, and you are on the back; I have got big taxes, and I think my potatoes are better than yours. You have got a far more diversified operation than I have, and your potatoes, to you, are a sideline. You can market them, and throw them on the market, and sell them much cheaper than I can. At Fredericton just three weeks ago we were told of a study conducted by the Ontario Department of Agriculture -- a three-year study in the matter of production of potatoes covering some 400 farms. The study, in my opinion, was one of the finest things I have ever seen. It indicated one man could grow potatoes for 72 cents a bag, and another one in the same group whose cost was 95 cents. Now, Dr. Drummond, I think the type of liaison that is necessary is to find that marketing level at which we shall be able to live together, because one man grew them at 72 cents and another at 95 cents. That is the problem, sir. I suggest it would take research.

COMMISSIONER DRUMMOND: Do I take it, then, that up to this time your firm has not seen fit to undertake what we call contractual relationships in the procuring of supplies or undertaking processing yourselves?

MR. CRIMP: No, sir, and there is a very basic reason why we do not contract, and that







basic reason is that we think that the man who grows the merchandise, who has put his investment into his land and equipment and labour, is entitled to any increment that might accrue through a market advance, and for that reason we buy strictly on the basis of the price prevailing at the day of shipment. I feel that policy has some elements that are sound.

COMMISSIONER DRUMMOND: In section 7, I believe, page 5, the paragraph second from the bottom, where you speak about the attention that has been given in some quarters to the influence of advertising and promotions, including contests, premiums and trading stamps: you are quite well aware -- and Mr. Sutherland perhaps more so -- that this Commission has already heard very considerably in respect of these matters. You state here in this section that these devices are a manifestation of continuous striving for the greatest possible advertising efficiency. Then you go on to say that your costs for this type of promotion or this brand type of advertising, are only a minor share of total advertising expenditure. The question I am wondering about is this: do you feel that this particular type of advertising expenditure -- promotional expenditure -- is an extremely effective one from your standpoint?

MR. CRIMP: I would like to go back, if





I may, quite a long way to when I started in the food business: my first retail store was in 1921, and I was a young man trying to put a retail store on its feet where my predecessor had gone bankrupt. There was quite a good shop just a few doors down from me, and the chap that ran that, I found, was giving our suckers to all the children, and he did other things along that line, and I was naturally faced with the decision as to whether I would give out some suckers, or whether I would do something different. I elected to do something different. However, I take you back that distance to show that the giving out of suckers in 1921 was part of the method that this merchant decided was his most effective method of attracting customers to his store. Historically, sir, from that day forward each of us in our own way have assessed those vehicles which we find available to us, and we have either used them or not used them. I would be very careful to say that any of the vehicles presently in use, apart from that portion of our advertising which is the basic core -- our communication to our customers through the daily and weekly newspapers, which I don't see any change in in the foreseeable future -- over and above that, I find as a valuable quantity assessed from time to time all the various merchants, one thinking one is better than the





other, and so on, and we have all used those additional vehicles. We submit that they are the minor portion of our total advertising expense, and in that connection, sir, in our answers to the questionnaire which the Royal Commission has sent in, the figures in that connection will be available in the questionnaire. I would like to point out further that should there be further specific questions in your mind in connection with that subject which are not covered in the questionnaire, if you would like to ask those questions now, or subsequently, we would be very happy to record the questions and we will endeavour to provide such answers as we feel you would like to have.

COMMISSIONER DRUMMOND: Thank you very much; I appreciate that. I take it from what you have just said, and also from what is stated in the brief, that if this represents a minor share of your expense, it is another way of saying they contribute only in a minor degree to the widening of the spread?

MR. CRIMP: I think the way I would like to put it, if I may -- and I am endeavouring sincerely to answer your question directly -- is this: when I say what I am going to say, I can take you to meeting after meeting in our meeting room at 605 Rogers Road, and the same type of meeting will take place in everybody's office who spends any





money on advertising: one of us likes this thing, another likes another thing, and so on, and one thinks we should be doing this and another one that, and the best I can come up with, sir, is that it is the sum total of all the things we do in the matter of rendering a service to our customers, the convenience of our stores in so far as shopping convenience is concerned, the atmosphere we provide for the shopper while there, the quality of the product we sell, the price we sell at, the fact that the shopper knows it is guaranteed, plus the advertising to pinpoint which of those we should or should not have; it is the sum total of all the things we do which determines whether or not we should be successful.





COMMISSIONER DRUMMOND: That suggests to me a very worthwhile question and a question that would perhaps take you sometime to answer. Perhaps it is the sort of thing you could supply us with an answer later. It is just this: It has been stated here today, and many times elsewhere, that the chain stores generally have been taking over a very pronounced portion of the total retail food business. The question relates to the reasons for that fact. You have just said what in your opinion are some of the reasons for that. We hear also that your type of organization possesses very distinct advantage from the standpoint of the purchase of your supplies, which in turn permit you to offer what you have just indicated is price appeal. We realize that you have provided a very special type of environment in which to do the shopping Act. We realize also that you have made extensive use of these types of promotion that are mentioned in your brief. Would it be possible for you at your greater leisure to consider this general question and list in order of importance the expense to which each of these factors have actually contributed to your general success?

MR. CRIMP: That was the one point, Doctor Drummond, that I hoped I could try and point out to Mr. Chairman and the Commission. In this area what has it been which has made this store successful or

...the ... of ...  
...the ... of ...  
...the ... of ...  
...the ... of ...

...the ... of ...  
...the ... of ...  
...the ... of ...  
...the ... of ...

...the ... of ...  
...the ... of ...  
...the ... of ...  
...the ... of ...

...the ... of ...  
...the ... of ...  
...the ... of ...  
...the ... of ...

...the ... of ...  
...the ... of ...  
...the ... of ...  
...the ... of ...



this chain successful? I mentioned earlier that in my experience in the retailing business I followed a man who went bankrupt. I followed him and very fortunately I was able to make a success of my business. The facts are so deep rooted. The man who preceded me in that little store at Broadway and Main in Vancouver was a retired farmer who had come to Vancouver with a sum of money on which he was going to retire. He had bought this food store because somebody told him, "This is just the thing you need for your declining years." The apartment upstairs was a lovely apartment and he would be able to live at home and have lunch with his wife.

May I suggest to you, sir, that the one ingredient that was missing in that combination - - he had been a successful farmer but he had no training in the food business. The food business, sir, we like to think of as one of the highest professions in Canada because food is Canada's largest business by far. There is no industry even comes close to it and one person out of every four are members of the food industry. We trust that the level of knowledge and the training in the food business will be expanded in the future.

Now, I interrupted you there. Trying to point out one segment of which has made you successful would, I think, be impossible. If you could





word your question at your leisure and submit it to us we would endeavour to the best of our ability to be helpful to you in the matter. Is that satisfactory, sir?

COMMISSIONER DRUMMOND: Yes, thank you. There is just one other question I would particularly like to get your views on. I think it borders on, if it is not the equivalent of, one question Mrs. Walton was discussing with you. It relates to the statement at the top of page 3, the first paragraph, section 4, where you state, "Improvements in the product through processing or distribution may increase the cost of bringing the product to the consumer, but such improvement may make it so much more acceptable that its volume of sales will increase, enabling some of the extra costs to be offered by economies of scale in production and distribution." I can fully appreciate that logic so far as a single firm and single commodity is concerned. I am wondering if you would make the same statement in respect to food commodities as a class. That is in regard to all suppliers of food.

MR. CRIMP: Doctor Drummond, you have got me right up into that area of economics and while I have been a student I do not profess to have developed in it. I would like to say this: The economist, I believe, say that the human stomach







can only absorb three pints per day and I accept that. However, I would further point out that while it may not be possible to have the human stomach absorb more than a given quantity I would suggest, sir, what we are talking about here is putting things in such an attractive form. I will take my own home. I have four children and six grand-children. If we put a bowl of fruit out on the table and the bananas are bright yellow and the apples are crisp and nice the bananas are gone "bingo", the apples are gone. If the bananas are black and uninteresting the kids don't even look at them. Now whether that has increased consumption in total I am unable to tell.

Coming to specifics, I think you are fully acquainted with the area with which we are discussing. I would like to take something which is very close to your heart, I know, that is the matter of poultry meat. Mr. Chairman, this subject is one of the economics of the spread. This is important and Doctor Drummond knows the full import of it. Previously we bought chickens and turkeys so-called New York dressed which meant you picked them up by the feet and hung them up and if the head was still on and not wrapped the blood was all over the place. I would like to suggest, Doctor Drummond, and I am sure all thinking people will agree that we could not have brought the poultry - meat industry in Canada





up to its present stage that way. Today it represents slightly more than 30 per cent of what beef represents. Try and visualize a store where 5,000 turkeys were going to be sold in one week and they are hung around exposed to everything. All the feet have to be taken off, the entrails taken out. They were sold to the consumer with heads, feet, feathers, the fuzz that you burn off with a piece of paper, everything was on there. After you had weighed it then the butcher chopped the heads off and took the entrails out. We had to pay extra for the garbage we hauled away. Today, rather than that, we have reached the point where poultry meat now is eviscerated in a proper plant. We are not paying freight. Think of the thousands of pounds of freight. That was not economical. The spread has increased, the price at which the consumer buys a turkey is higher, but I submit that factor, the increase in the spread, is more than justified by the fact the consumer is getting much better meat value for her meat dollar today than she was when we were selling New York dressed poultry.

THE CHAIRMAN: It is a part of our way of life and culture that we eat three meals a day. I think we had better go and get one of the pints, if we may. We are grateful for an interesting morning. I have had some conversations with you previously





and I am looking forward to more sometime in the future. Thank you very much for the presentation this morning.

MR. CRIMP: Doctor Stewart, I would like to say that any questions which were not included in the questionnaire which the Commission now or subsequently feels that we can help them on we would consider it not only a pleasure, sir, but part of our duty as representing the food industry in Canada to do everything within our power to further the studies that you are making. We believe that the outcome and the report that you and your associates will write will be of immediate and lasting benefit to the nation.

--- The hearing was adjourned at 12.45 p.m. until 2.00 p.m.





--- On resuming at 2.00 p.m.

SUBMISSION BY  
& P FOOD STORES

Appearances:

Mr. F. H. Knapton - Sales Manager

Mr. George Perley-Robertson

---

THE CHAIRMAN: We have with us this afternoon Mr. George Perley-Robertson and Mr. F. H. Knapton, representing Atlantic and Pacific Food Stores. We are grateful to you for coming here. We sent you our questionnaire and we appreciate your willingness to return this to us. We have your brief and I think, Mr. Perley-Robertson, you are going to read it.

MR. PERLEY-ROBERTSON: Is it your wish I should read it into the record?

THE CHAIRMAN: Yes.

MR. PERLEY-ROBERTSON: It is a very brief brief as you can see, but it does raise some of the points that were mentioned in the questionnaire, and I understood if we raised them in the brief you would feel free to question Mr. Knapton on any point.

THE CHAIRMAN: Yes.

MR. PERLEY-ROBERTSON: A & P Food Stores are operated by the Great Atlantic and Pacific Tea







Company Limited. The Company was invited by the Royal Commission to present a brief dealing with points raised by Privy Council Order 1957-1632, being the terms of reference of the Commission. The Commission also requested A & P and other chain food stores to complete a questionnaire and this brief deals with some of the points raised in that questionnaire although it does not contain statistical data which will be supplied in the reply to the questionnaire which is now being prepared. Mr. F. H. Knapton, Canadian Sales Manager of A & P is present and will be pleased to answer any questions put to him by the Commission in connection with this brief.

Statistical data tends to show that there has been an increase in the spread between the prices received by producers of food products of agricultural and fisheries origin and the prices paid by the consumer during the last ten years. While there are a number of factors which have contributed to this increase, we feel that the most important factors are:-

(a) The habits and demands of the consumer have resulted in many foods being sold in a highly processed form with built-in services. This processing requires a substantial expenditure by the manufacturer and retailer over the price paid the primary producer before the foods can be offered for





sale to the customer. The cost of this processing is a very important element in the difference between the price paid to the primary producer and the price paid by the consumer.

Familiar examples are frozen foods, close-trimmed meats, pre-packaging of produce and meats, prepared cake mixes, and the like.

(b) Normal handling, transportation and processing costs have risen considerably in the past ten years and this has necessarily resulted in an increase in cost to the retail distributor and therefore in an increased price to the consumer.

Although a number of factors have contributed to the increased costs to the consumer, we are of the opinion that this increase has been kept to a minimum by reason of the growth of the modern Super Market which has made possible a large volume of business under one roof with a resulting saving in distribution costs. Had it not been for the development of the Super Market, the cost of retail distribution would have been much higher, necessitating higher retail prices.

The consumer demand for foods in a more highly processed form has, of course, resulted in a great increase in the number of items handled by all retail stores, but we have not found that this proliferation of items has appreciably affected the cost per unit handled with the possible exception





of frozen foods which have resulted in the purchase of additional refrigeration equipment. We find that the food industry is highly competitive at all levels, producer, manufacturer, wholesaler and retailer. This tends to keep mark-ups low and thus hold food prices down.

We know of no confusion on the part of the consumer by the number of items of food products available to him. It is the policy of A & P to maintain uniform prices on all commodities within a trading area. In the interest of price uniformity, retail prices are established by our Sales Department, although Store Managers have discretion and may reduce prices in an emergency to move overstocks of perishable items. Prices are also varied on occasions to meet unusual competitive conditions.

We operate in a number of different trading areas such as Toronto, Montreal and Winnipeg and, in some cases, the price of a product will vary from one area to the other due to transportation costs, competitive practices and other factors. In arriving at the retail price, we must first take into account the cost quoted by the supplier and to this we add what we deem to be a fair mark-up to arrive at the retail price. Retail price changes will occur when the supplier's price fluctuates.

It is, of course, not possible to have a







uniform mark-up for all food items. Generally speaking the more expensive the handling of an item is, the higher the mark-up will be. However, in a highly competitive industry, such as food retailing, mark-ups customarily followed in the trade are a major factor.

It has been our policy to endeavour to off-set some of the increased costs of operation during the past ten years with increased efficiency using modern equipment and improved store layouts and we feel that our efforts in this respect have met with success. We are dedicated to the policy of selling the most good food for the least amount of money.

All purchasing is handled under the direction of our Purchasing Department, although Store Managers may purchase from primary producers.

In the last analysis, the changes in the nature of the business in the past ten years, such as larger stores, greater emphasis on processing and packaging and the handling of a larger number of items, has been due to the demands of consumers which any retailer must recognize. Mr. Knapton will answer any questions, sir, with your permission.

THE CHAIRMAN: I wanted to ask you a question or two about the supermarket. On page 3 you speak of the ability of retail merchants to off-set to some extent at least the various tendencies





to increase costs because of the economies of the supermarket. When did your organization first develop those stores on the supermarket basis?

MR. KNAPTON: That, sir, is rather a continuing process. It is pretty hard to put your finger on one date. The stores are getting a little larger all the time. We are improving the layouts you might say constantly. Stores we opened in the last two or three years have better layouts than even ones opened four or five years ago. There are constant improvements in our operation which tend to give us greater efficiency. I am thinking now of power conveyors and getting the store all on one floor rather than having to bring things from the basement.

A year or two ago the addition of 100 per cent self-serve meat contributed something to efficiency because the meat clerks then were able to spend 100 per cent of their time processing the products for sale rather than waiting on the customer. This is a time-saving device. While it is true that a sheet of cellophane costs a fraction more than a sheet of paper, there is the labour saving involved in the 100 per cent self-serve meat.

There has been a trend towards greater pre-packaging of the product before it reaches the store. Sugar is an example. Ten or fifteen years ago almost all the sugar in the store was done up on the





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

premises. Today I do not think there is a pound done up on the premises unless through breakage.

This pre-packaging improvement has taken place in many parts of the store. Spinach was mentioned as an example of the package you get to-day, all washed and processed and packed in pliofilm, as against being pushed into a bag ten or fifteen years ago.

THE CHAIRMAN: Perhaps I should indicate why I am following this line of questioning. I am not quite sure I understand clearly what the peculiar features of a supermarket are, but I have seen on a couple occasions reference to the supermarket as such dating in the 1920's, so that at least it seems to me that the concept of the supermarket, although perhaps a dynamic and changing one is not a very recent concept.

MR. KNAPTON: That is true.

THE CHAIRMAN: And yet it is only in the last ten years or so that it really seems to have caught on, and we have the great development in the organization of the supermarket. Are these historical facts correct?

MR. KNAPTON: I believe so, sir. The change-over to self-serve is a date to which you could possibly point to where the supermarkets started, and that I believe is sometime in the early thirties when the old service type store went out of style we will





say, and we developed along the self-serve style, and since then the stores have continued to become larger. It is also true the larger the operation, the more efficient it is.

There are certain constant factors such as rent and overhead, which as your sales go up, these factors have a tendency to come down.

THE CHAIRMAN: Yes, but my point is this: That if it is historically correct that the idea of the supermarket evolved say in the late twenties or early thirties, yet we went through a fairly long period when the development of it and its application was slow, and then all of a sudden in the last few years the idea caught on and we are getting this full application of it. This interests me because it seems to me there must be certain conditions during the last few years which were conducive to the development of the supermarket.

MR. KNAPTON: Well, would that not be the development of your suburban way of living where you have a large group of people who own one or more automobiles, and who today have enough money to buy a full week's supply of groceries at one time, and who are equipped with refrigeration and deep-freeze equipment to take care of perishables for one week's supply, whereas ten or more years ago the automobile was not quite so prevalent as it is today, and there was not quite as much ownership of deep-freeze equip-







ment or refrigeration equipment, and the average income was not quite as high as it is today. I think it is the development of the higher standard of living.

COMMISSIONER DRUMMOND: Could I interject this suggestion: We have been told, and we read in various books, other sources, that the chain store development occurred in the United States several years before it really caught on in Canada. That is step number 1.

Secondly, that the supermarket came over there before it could be developed here. Whatever the significance of this word "super" may be, since this has happened historically up to now, and you operate on the other side as well as here, is there in your opinion any development or are there developments occurring over there today which might indicate that a few years hence they might take place in this country.

MR. KNAPTON: I do not know of any significant development. I think what you say is true that the supermarket did develop a little earlier in the United States. One factor I might point to as being the cause of that was to go back to my point that this is partly due to the ability of the consumer to look after one week's supply of merchandise with refrigeration and deep-freeze equipment.

If you recall during the war and shortly





after the war with exchange restrictions that type of equipment was not available to the Canadian consumer in the same quantities, and as a result, I think Canadian ownership of modern refrigeration equipment and deep-freeze equipment is slightly behind American ownership just because it was not available at the outset.

Other than that I cannot think of any significant trend in the United States economy today that would indicate what might happen here in a few years.

THE CHAIRMAN: We have had some representations including this morning, that the retail spread as a percentage of the consumers' dollar has not changed much, and has been fairly constant for the last ten years or so. A minute or two ago you mentioned the fact that some functions which the retailer had performed earlier are now being performed by the processor. Is this a significant factor by the processor. Is this a significant factor in determining the retail spread, would you say?

MR. KNAPTON: I do not think so. For example, I think it is more efficient to package sugar at the factory level. Any factory operation could be put on the production line and costs worked out. I think anything like that on the store level is almost bound to be a little more inefficient. I





think these savings at store level have helped us to off-set other increasing costs, which you are all aware of.

THE CHAIRMAN: But the general effect is reducing this total spread because it is done more economically now?

MR. KNAPTON: That is true. That would have the effect of off-setting some increasing costs that are in the picture, such as transportation costs.

THE CHAIRMAN: Here again I would be interested to ask why this has only happened recently. If there are obvious economies involved, why did we have to wait for the last ten years?

MR. KNAPTON: That is a good question. It is an involvement. Everybody is trying to improve their operation. I guess we just got around to it.

THE CHAIRMAN: Thank you. Any questions, Mr. MacKichan?

COMMISSIONER MacKICHAN: Following that thought a little further, would probable increase in population have something to do with getting around to it, or delay in getting new equipment.

MR. KNAPTON: Increase in population has obviously contributed to increase in sales, and that has of course helped to increase the efficiency of operating any business, including supermarkets.

COMMISSIONER MacKICHAN: And if we take it for granted that the consumer is going to pay for





these improvements, later you will have more people to spread it over. In other words, larger sales.

MR. KNAPTON: I do not think you could say that. In our business, I think as in any business, the actual turnover or any increase in turnover or any increase in sale volume has an effect of improving costs if the operation is efficient.

COMMISSIONER MacKICHAN: Just one question on page 4. You mentioned that prices are, I take it, in most cases set by central authority, but that this local store manager may have discretion in reducing prices in an emergency. Would he have the same discretion in raising prices if there was an opportunity?

MR. KNAPTON: No. All prices are set by the sales department and no manager has the right to increase the price above the authorized price list.

COMMISSIONER MacKICHAN: My reason for asking that question is that just a few months ago and walking along the side-walk in a small town - it was getting late in the week - and strawberries of quite a good quality were priced in the window. In the course of half an hour or ten minutes I walked back the other way and they had increased five cents a box. It was quite evident that there was not supply enough to carry out the day.

MR. KNAPTON: Our company would not permit





that type of thing.

COMMISSIONER MacKICHAN: That is all the questions I have.

COMMISSIONER MARTIN: On page 4 you say there is no confusion on the part of the consumer by the number of items of food products available to him. Do you think that there can be some confusion because of the size of the containers, for instance?

MR. KNAPTON: I do not think so. This is only an opinion, of course. Most containers are clearly marked with the weight or the contents, and I believe this is a good thing. I think if recommendations were made that it be made more compulsory, I think it would be a good thing for the industry. I think any Government regulations that make it compulsory to put the size or the contents or the quality on the product are all to the good.

COMMISSIONER MARTIN: But you do not think that many sizes of containers may create some confusion?

MR. KNAPTON: Well, there is a need for variation in sizes. You have all sizes of family involved from one person up to quite large families, and if you eliminate the small sizes you are going to penalize the person who is buying possibly for one or two people, and I think also you need your larger sizes for the person who has a large family





and needed the economy of a larger size package.  
Some standardization may be desirable in some lines.

COMMISSIONER MARTIN: Now, on the same page you say that in arriving at the retail price you take into account the costs quoted by the supplier, and to this you add what you deem to be a fair amount. You said after that: "Retail price changes will occur when the supplier's price fluctuates". Does it mean a mark-up on all kinds of products is always the same?

MR. KNAPTON: Not necessarily. There are quite a number of factors governing mark-ups. To start with every successful business has to cover their expense rate, and since you have a pretty good idea what your expense rate is going to be, you attempt to mark-up merchandise to cover the expense rate plus a small net profit.

The food business is a very competitive business, and there have been some merchandising patterns prevalent in the trade with some basic staple commodities merchandised at relatively low mark-ups, considerably below a normal expense rate. In order to off-set these, it is necessary to mark some commodities at slightly more than the expense rate in order to arrive at a final mark-up which will cover your expense rate.

There is also the consideration of how much it costs to handle an individual commodity.





For example, it obviously would cost more to handle \$10.00 worth of head lettuce that has to be trimmed, and washed and is relatively cheap and bulky, and transportation costs are considerable, than it would to merchandise \$10.00 worth of sugar that comes to you in nice, neat 10-pound packages, and it goes on the shelf and it is gone. Those are considerations. Generally speaking, an item that is awkward or expensive to handle carries a higher mark-up than one that it is easier to handle.

COMMISSIONER MARTIN: The reason why I asked this question, if mark-up is constant, and I suppose the price from the supplier is lower, it will mean in the end a higher percentage of the total cost going back, for instance, to the farmers who have received a lower percentage of the consumers' dollar, and it may reflect on the spread that way.

MR. KNAPTON: I am afraid I do not get your point, Mr. Martin.

COMMISSIONER MARTIN: Suppose your mark-up is 20 per cent on a product which is sold at \$1.00 - I should have said 20 cents instead of 20 per cent - if your mark-up is still 20 cents when this product is sold at 70 cents - -

MR. KNAPTON: In other words, you are asking if the mark-up remains constant as the price goes up?

COMMISSIONER MARTIN: Yes.



The first of these is the fact that the  
the second is the fact that the  
the third is the fact that the  
the fourth is the fact that the  
the fifth is the fact that the  
the sixth is the fact that the  
the seventh is the fact that the  
the eighth is the fact that the  
the ninth is the fact that the  
the tenth is the fact that the  
the eleventh is the fact that the  
the twelfth is the fact that the  
the thirteenth is the fact that the  
the fourteenth is the fact that the  
the fifteenth is the fact that the  
the sixteenth is the fact that the  
the seventeenth is the fact that the  
the eighteenth is the fact that the  
the nineteenth is the fact that the  
the twentieth is the fact that the  
the twenty-first is the fact that the  
the twenty-second is the fact that the  
the twenty-third is the fact that the  
the twenty-fourth is the fact that the  
the twenty-fifth is the fact that the  
the twenty-sixth is the fact that the  
the twenty-seventh is the fact that the  
the twenty-eighth is the fact that the  
the twenty-ninth is the fact that the  
the thirtieth is the fact that the  
the thirty-first is the fact that the  
the thirty-second is the fact that the  
the thirty-third is the fact that the  
the thirty-fourth is the fact that the  
the thirty-fifth is the fact that the  
the thirty-sixth is the fact that the  
the thirty-seventh is the fact that the  
the thirty-eighth is the fact that the  
the thirty-ninth is the fact that the  
the fortieth is the fact that the  
the forty-first is the fact that the  
the forty-second is the fact that the  
the forty-third is the fact that the  
the forty-fourth is the fact that the  
the forty-fifth is the fact that the  
the forty-sixth is the fact that the  
the forty-seventh is the fact that the  
the forty-eighth is the fact that the  
the forty-ninth is the fact that the  
the fiftieth is the fact that the  
the fifty-first is the fact that the  
the fifty-second is the fact that the  
the fifty-third is the fact that the  
the fifty-fourth is the fact that the  
the fifty-fifth is the fact that the  
the fifty-sixth is the fact that the  
the fifty-seventh is the fact that the  
the fifty-eighth is the fact that the  
the fifty-ninth is the fact that the  
the sixtieth is the fact that the  
the sixty-first is the fact that the  
the sixty-second is the fact that the  
the sixty-third is the fact that the  
the sixty-fourth is the fact that the  
the sixty-fifth is the fact that the  
the sixty-sixth is the fact that the  
the sixty-seventh is the fact that the  
the sixty-eighth is the fact that the  
the sixty-ninth is the fact that the  
the seventieth is the fact that the  
the seventy-first is the fact that the  
the seventy-second is the fact that the  
the seventy-third is the fact that the  
the seventy-fourth is the fact that the  
the seventy-fifth is the fact that the  
the seventy-sixth is the fact that the  
the seventy-seventh is the fact that the  
the seventy-eighth is the fact that the  
the seventy-ninth is the fact that the  
the eightieth is the fact that the  
the eighty-first is the fact that the  
the eighty-second is the fact that the  
the eighty-third is the fact that the  
the eighty-fourth is the fact that the  
the eighty-fifth is the fact that the  
the eighty-sixth is the fact that the  
the eighty-seventh is the fact that the  
the eighty-eighth is the fact that the  
the eighty-ninth is the fact that the  
the ninetieth is the fact that the  
the ninety-first is the fact that the  
the ninety-second is the fact that the  
the ninety-third is the fact that the  
the ninety-fourth is the fact that the  
the ninety-fifth is the fact that the  
the ninety-sixth is the fact that the  
the ninety-seventh is the fact that the  
the ninety-eighth is the fact that the  
the ninety-ninth is the fact that the  
the hundredth is the fact that the



MR. KNAPTON: That would vary over a period of time with the expense rate. In other words, if you were in a period of rapidly rising prices and your expense remained the same, then your expense rate would go down. Then the ultimate objective for which you would be aiming would be lower, and that would change your considerations for mark-up.

COMMISSIONER WALTON: Do you have your own central warehouses which service an area?

MR. KNAPTON: Yes, we have three of them. One in Montreal and one in Toronto and one in Etobicoke.

COMMISSIONER WALTON: Do all your branch stores handle the same items, or do you permit carrying brands in different areas depending on whether it has a local processor?

MR. KNAPTON: The authorized price list is the same for all stores in a trading area, but could be different for Montreal. The larger amount of items would be the same, but there are items which would have a demand in Montreal and which would not have any in Toronto, and similarly items in Winnipeg which do not have a market in Toronto. The basic price list is much the same. Probably 90 per cent of the items are available in all our stores.

We do not permit store managers to purchase unauthorized merchandise. Everything has to be quality tested by our purchasing department before it





is authorized for our stores.

COMMISSIONER WALTON: I was thinking that it was implied by a witness we have had here in the last two or three days where you had a policy of central warehousing and there was a certain rigidity. Perhaps I can illustrate it better by taking a town in which you have a branch, and in that same town there might be a processor of canned goods that was very acceptable to those local people because they knew it. Would you permit your local manager there to procure from that processor, or is it just in the case of fresh fruit and vegetables?

MR. KNAPTON: No, we do make a number of exceptions for that very reason. If we have a branch which is operating in a municipality where one of the principal industries is processing of some food products, and if the result factor is a local demand for that product much greater than on a national scale, we would in every case that has come to our attention at any rate authorise that store to handle that product, and it would be set up as an authorized product.

COMMISSIONER WALTON: In other words, perhaps you would then differ with the observation that was made that this rigidity is flexible enough that you would not try - -

MR. KNAPTON: We try to make it as flexible as we think practicable. We have to judge in the final analysis whether the local product is important





enough in that local community to be stocked in this store. Obviously this could go on at great lengths and become very cumbersome.

COMMISSIONER DRUMMOND: One or two questions, Mr. Knapton. I believe you mentioned on page 3 that you have had a very great increase in the number of items handled in recent years, but these have not appreciably affected the costs per unit. We were told this morning that in addition to the increasing number of food items, stores such as yours have added a very large number of non-food items; also the margin you normally take on non-food items makes it possible to handle these food items at a lower cost per unit. Do you agree with that?

MR. KNAPTON: That is a pretty big subject, and one that is quite debatable. It is that the mark-up on non-foods generally is higher than the mark-up on foods for the reasons that they are more cumbersome to handle as a rule, and the turnover is much smaller. The turnover on some food items is relatively rapid compared with non-food items. The contribution they make to the mark-up is quite noticeable, and I think on the other side of the ledger there is a contribution to the ~~expense~~ of handling which is pretty hard to measure.







COMMISSIONER DRUMMOND: . Would you say there is a pretty definite relationship between the size of the mark-up and the rate of turnover?

MR. KNAPTON: That is true; the item that does not turn over too rapidly, as a rule carries a higher mark-up.

COMMISSIONER DRUMMOND: Again on page 3 you state, near the bottom:

"The food industry is highly competitive  
"at all levels."

I may say a statement to that effect has been made by practically all food industry people who have met the Commission thus far. All I would like to inquire about is, two things, I think: first, on what basis or bases is this business competitive?

MR. KNAPTON: There are many forms of competition. The first is price competition, and it is very keen at all levels of the food business. There is also quality of product competition. I think the public today in many products -- probably in most products -- is getting a better product than it was ten or twenty years ago. All manufacturers have a certain amount of competition on their hands for the customer's preference, and for this reason they are constantly researching and endeavouring to improve their product. This, I think, is a very desirable form of competition. I think it has given us, to some extent, the products





we have today, and it has contributed something to the present standard of living. When you don't have competition of that nature, things come to a standstill as far as product improvement, and that sort of thing is concerned. Those are the two principal areas of competition, as I see it.

There is also in our own particular field the services you can offer a customer in more modern stores; air conditioning, wider aisles, faster check-outs, and all that sort of thing, which we are all striving to bring about in the most economic manner.

COMMISSIONER DRUMMOND: Would you add to these three forms a further one, namely, competition in what you might call competitive advertising -- promotional activities?

MR. KNAPTON: Yes, that is true; there is definite competition in that field as well. We do not go in for too many forms of promotional advertising. Our advertising is largely confined to the conventional newspaper, radio and television advertising. We do on occasions put forward some type of promotion where we give away a premium -- possibly a food item -- as an inducement to bring people to the store and make yourself known to the public, which is a very essential part of the business.

COMMISSIONER DRUMMOND: The next question relative to competition also is this: when you say





that the business is highly competitive, who are your main competitors? Is it other chains or is it independents, or would you discriminate between those?

MR. KNAPTON: Our main competitors, or our main competition, are the other major chains.

COMMISSIONER DRUMMOND: On the other hand, it is true that you and the other chains have lines to compete away, one might say -- compete away business from independents -- in recent years, particularly.

MR. KNAPTON: It is true that the statistics show that the chains are accounting for a growing percentage of the food distribution market.

COMMISSIONER DRUMMOND: What I am driving at is this: assuming that no matter what happens you will always have some independents left, if the present type of competition continues would you anticipate a very significant reduction in the number of independents or in the volume or proportion of business done by them as time goes on?

MR. KNAPTON: It is always very tricky to try and foretell the future. It is very hard to say, really. I think there will always be a need for the additional service that the independent is prepared to give -- customer delivery and other services. Certainly, if you look at the progression up to now you will see that it would seem







that the chains will increase their market, but there are so many factors in the business today; for instance, when you look back ten, twenty or twenty-five years, and the way food merchants carried on in those days, and then attempt to look forward another ten years, who can say that the modern supermarket is the ultimate way of merchandising food? I, frankly, don't qualify to make that prediction.

COMMISSIONER DRUMMOND: What I am driving at is that I am wondering to what extent your competitive weapons at present are being used primarily to steal business from the independents, and how those weapons might be changed, or the emphasis on this or that weapon may be changed if you succeed in eliminating a good deal of the independent business?

MR. KNAPTON: I don't think there is any intention on our part or our competitors to steal business from the independent. Our company is dedicated to a low price policy and operating the business as efficiently as we know how, and giving the customer the most good food for her dollar, and, certainly, there is no intention there to take any business away from anybody else. Public acceptance of that policy results in a flow of business, as it does in any type of business. Our company has been dedicated to a low price policy for a good







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2955

many years -- longer than I know of-- and I know of no reason why that should change.

THE CHAIRMAN: I thank you again, Mr. Knapton and Mr. Perley-Robertson for being here this afternoon and bringing this presentation to us.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Submission of  
NATIONAL GROCERS COMPANY, LIMITED

Appearances:

Mr. R. H. Bainard

---

THE CHAIRMAN: Mr. Bainard is representing the National Grocers Company Limited. Mr. Bainard, you received our questionnaire and we are looking forward to having it returned in due course, but are are grateful to you for coming here this afternoon to chat with us.

Your company is a wholesaler?

MR. BAINARD: That is true.

THE CHAIRMAN: Do I understand correctly that you operate mainly in Ontario?

MR. BAINARD: All of our branches are in Ontario. We sell out of Ontario where we are adjacent to the Quebec border; for example, in the City of Ottawa. However, most of our business is Ontario; all branches are located within the Province of Ontario.

THE CHAIRMAN: And you service the Red and White Stores and other independents?

MR. BAINARD: That is right.

THE CHAIRMAN: Am I right in saying that a substantial volume of your business is done in the





smaller sectors in the province?

MR. BAINARD: That is true.

THE CHAIRMAN: I think it would be very helpful to us if, out of your experience, you can tell us something about what is going on in the merchandising areas in the smaller sectors.

MR. BAINARD: Since you are dealing, as I understand it from the questionnaire, with the trend over the ten-year period, should I go back over the ten-year period and describe what has happened in our line of business?

THE CHAIRMAN: You can take it further back if you like.

MR. BAINARD: How far?

THE CHAIRMAN: How far can you go?

MR. BAINARD: Well, personally, back to 1917.

THE CHAIRMAN: Well, that is a good point to start.

MR. BAINARD: The reason I asked that question is that, as I understand it in the questionnaire which we are dealing with at the present time, and which we will complete within the specified time, you are dealing with trends. You show a chart there indicating the spread, and therefore you are dealing with that. Were I drawing that chart for my own purposes, I would add certainly one other line, because there are other things than







those which have a very definite influence on the price spread.

THE CHAIRMAN: What other line would you put on?

MR. BAINARD: Labour. During the past ten years there have been several factors causing the increase in the spread, unquestionably, and perhaps I might help the Commission were I to go back ten years and describe what has happened in wholesaling in so far as our company is concerned within the ten-year period. If you wish to go way back, I can go back on that too.

Our company was formed, and August the 15th, 1925, was the first day we began operations. Our company arose over the fact that the competition among whoesalers in those days, together with growing and large independents, was such that many of them were operating uneconomically. So, an option was secured on a number of wholesalers by financial men, the options exercised, and a new company formed with the result, of course, of a saving of a very considerable amount of money in servicing stores. For example, if there were four wholesale grocers in an area, and these four wholesale grocers' businesses were purchased by the new company, you would not have a salesman calling for each of the companies. There would be one warehouse and one sales house. That was the





purpose.

Skipping a lot of time, perhaps I should say that we operate 31 warehouses in the Province of Ontario, and all of these, save one, have cold storage facilities. We sell what are usually known as dry groceries, fresh fruits and vegetables with full refrigeration facilities in those warehouses. We sell frosted foods. Of course, in the grocery business there always has been a very considerable amount of non-foods; for example, soap, detergents, brooms and tobacco. Since my connection with the business there has been a considerable number of non-foods.

In our company we hold this view, that in the main there are two methods whereby the consumer buys merchandise. Each plan performs the same function, and each plan must be competitive with the other, or one or the other falls by the wayside. In all cases, in the main, food must be assembled: it comes from the grower, or it may come from a processor or a manufacturer; it may, indeed, be imported, as for example a great deal of fruit is imported -- notably citrus fruit and juices. That food has to be assembled, and then has to be delivered to a retail outlet, and from that retail outlet, be it small or large, the consumer buys the product.

In the main, particularly in the Province





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2960

of Ontario, where we operate, there are two methods of doing that: one is by a corporation that owns its own warehousing facilities, and also its own fleet of trucks, and its own retail stores. As against that, you have the wholesaler/retail combination. Now, unless the wholesaler/retail combination can be kept competitive with the other method, it naturally follows that the wholesaler/retail method goes out of business and, therefore, within the last ten years our company has paid a great deal of attention to helping retailers. Do not give us credit for unselfishness; we hope we are to a reasonable degree, but if a retailer goes out of business, we do; and if the retailer is successful, then we can hope to be successful. However, those two methods must be competitive, and unless our method is competitive with the individually owned method, then, naturally, we are in trouble.

That being the case, there comes a need for closer cooperation. We secure that cooperation through the realm of contract accounts, usually called voluntary chains. When a wholesaler and a retailer work together on a plan such as that, the wholesaler agrees to perform functions for the retailer that were never dreamed of in 1917 when I entered the grocery field as a very young man. Nor yet were they considered very greatly even as recently as ten years ago -- at least, to the







extent they are today. In those days if a purchasing agent for a wholesale house was talking to a processor of foods, and a price was being quoted for a commodity, his thinking would run something like this: "Well, it will cost a certain amount and we can sell it for a certain amount. Our operating expense is a certain figure. Is that interesting to us or not?" The thinking is now quite different, because you buy merchandise and you say, "It costs so much and it will sell for so much", but when you say "sell for so much" you are not thinking of the wholesale selling price; you are thinking of the price the retailer sells at. In other words, you jump that gap because you are together as a team. If you are going to work together in that way you must eliminate all possible expense.

If a retailer will agree with you that he will give you an order -- his main order once a week on the printed form that you put in his hand, and if that order is, in effect, a catalogue of your supplies, and if he shops from the order form to his shelves, thus knowing his needs, and gives that to you, you have eliminated the expense of a salesman, the expense of the motor equipment which he uses, and his travelling expense other than that.

When you get that order formm you use it







in your warehouse for the purposes of assembling the merchandise, and it naturally follows that your order form must be in pretty much the same order as your stock in the warehouse; or, to put it the other way round, the stock in the warehouse is in the same order as the form. You assemble from that form. After it is assembled, you use that form as an invoice, because it bears the price, and you extend it: you check the quantities of merchandise on the floor against the extended invoice, and return the invoice to the retailer. You have no invoicing problem, and no invoicing expense other than a simple extension of the invoice form. You have saved a lot of money and, therefore, you are operating much more cheaply.

I have said that under any contract form of that kind the retailer agrees to give you his main order once a week on a specified day, and you make delivery on a specified day. If you are delivering a whole week's supply to a retailer in one order, you are certainly going to effect economies in assembly and delivery as against delivery twice or three times. It also naturally follows that if you take all a retailer's business on that basis, and he agrees to give you all the business which you are able to supply, again you are going to effect economies in getting the goods into the hands of the retailer at a price. It





certainly is cheaper for two retailers in a given area to each of them agree to buy all their supplies from a house; it may not necessarily be the same house, but it is cheaper to do that than to divide their business and have two houses putting up the orders and each of them making deliveries.

So, the whole plan is predicated upon a saving all the way down the line.

So far as merchandising, as we call it, is concerned, unless the independent retailer has skilled assistance in his merchandising, he is in a very difficult situation trying to meet skilled competition on the part of a large chain. So, therefore, in our organization we have skilled men, men skilled in writing advertising, and who write advertising, and who produce advertising in our particular case in sixty-six newspapers in the Province of Ontario each week. They produce window streamers; they produce over-the-wire advertising; they produce, on occasions, handbills; they do all that sort of thing as skilled advertising men will do.

We also have a corps of supervisors: these supervisors work out of each of our branches. In supervising, the retailer has the advantage of trained supervisors giving him advice. He will make massive displays for him, and advise him on retail advertising methods. He knows in advance





what merchandise is to be advertised in these newspapers, and he can therefore purchase in anticipation of his needs, and he can make whatever displays are necessary, because he knows well in advance.

This order form which we give him, which, as I have said, is an order form, an assembly form and an invoice, in addition to showing a price which we charge him, also gives him the advantage of a shopping service. We purchase the services of a shopping service -- though, I think the chain stores do also -- which shows the chain store shelf price of commodities each week. It does not mean a special weekend sale; it means the regular shelf price. So, therefore, when a retailer gets from us, or anyone else who operates as we do, an invoice, he sees there the shelf price of the chain competitor. He knows at what price he must sell if he wishes to be competitive. He may decide to charge exactly with the chain, or charge slightly less or slightly more. Our supervisors advise him that unless he is competitive the housewife will soon catch up to an extra cent, and he had better not do it, and our experience is that he does not do it. Of course, on advertised specials he must maintain the advertised price, whatever it is for that particular week.

With that sort of method, if we can get the wholesaler to think retail, and if we can get







the retailer to think wholesale, then you have a team that competitively can hold their own against the other method, because both methods perform the same function. Therefore, if you can streamline your wholesaler/retail operation, you have got a method that will be and is successful in competing with the corporate chain.

Of course, among others, there are two disadvantages suffered by quite a number of retailers, and the first is the matter of space. Increasingly there is a larger number of items required. I am now referring to non-foods, or what are described as extra non-food items. For example, biscuits, biscuit mixes, cake mixes, and if you wish to buy toilet tissue in four colours, it is extra stock and, of course, extra room. So, with the increase in the number of lines, the independent retailer is hard put to to get space for them on many occasions.





By the way the Federal Government has this under study at the present time as you no doubt know. As recently as two weeks ago wholesalers were in Ottawa talking to the Prime Minister and to his colleagues Mr. Churchill and Mr. Fulton, and we have previously seen Mr. Fleming about the type of small business. If a small business is as important as we think it is, and as I believe it is believed to be in Parliamentary circles, then steps should be taken to make available to that small business man some aid. I believe already it has been announced in the House by Mr. Churchill that in the Department of Trade and Commerce they are setting up a small organization under Brigadier Roberts for giving all of the aid the Government thinks it can give in helping the small business man.

His need is for expert advice as to his operations, expert advice as to enlargement of his facilities or modernization of his facilities, or moving his place of business. Is it a good location or is it not? Then he needs some financial help.

Now, organizations such as those of our company have a corps of experts who do give that sort of assistance, but all wholesalers don't. Particularly we are concerned with food, but that is true outside of the food industry.





If a merchant desires to modernize his premises he ought to be able to go to someone and ask for someone's advice. A man came to us not long ago. He had acquired a piece of property and wished to build a store. In this particular case he had suffered a fire loss and received his insurance. His old location was not suitable and he wanted to buy a new one. I sat down with him and put on paper the estimated cost of his building, his fixtures, and the amount of money necessary for his stock. What was the cost? What could he reasonably hope to do by way of business? It is not difficult to estimate the amount of business when you know the population of the area and the immediately surrounding population. You can estimate what the food consumption would be in any given period of time. With that information you can quickly enough advise a man if his proposition is likely to make money or put him in debt.

That sort of thing that we do, and as other wholesalers do who function as we do, that is a very important function. We talk to a man about his operating expense. We ask the retailers to furnish us with financial statements. We will sit down and tell a man whether he is getting what we think is a reasonable percentage of profit, having regard to the area and sort of business he does. His percentage of profit will vary naturally between localities. You may find one man who essentially is a butcher but







operating as a grocer and another man is a grocer who is forced into the meat business. The first man will do a larger proportion of business in meat. We can tell a man about what he ought to expect and what his expenses ought to be.

We are able to do that because of the fact we get a large number of statements from retailers throughout the Province and we analyze those statements and we eliminate from them anything peculiarly local. When we get through we have a figure we set forth as a budget of operating for the retailer and we can set that figure forward with confidence. It is based on actual experience of successful operating retailers.

Those services are indispensable if the retailer is to succeed because he is not able to measure his efforts against anyone else's, he is not able to do advertising, neither can he buy advertising because it is too expensive, neither has he the skill of setting up his advertising. He must have those services available to him.

In our effort to streamline our operations we say to our retail friends "We are a team". We must get fresh merchandise in the very best condition possible to the consumer. We must have a full food market. We must have meat, fresh fruit, vegetables, frosted foods and we must turn the stock rapidly. There is no space for stock in







the basement or a back room. You must turn it quickly. We are operating on short terms and we buy on short terms. We must ask the retailer therefore to work with us in the same way. Therefore when we ask a retailer to hook on with us we ask him to give us a cheque so that when we send his order in and return the goods to him we fill in the amount of the cheque and use it, thus saving bank charges which are expensive. Our whole effort is along the lines of making this method, the wholesale - retail method, competitive with the corporate chain method. If the two work together it can be done.

The members of the Commission may be interested to know that we were visited, in common with some other wholesalers in Canada, a few weeks ago by a delegation of English retailers. As a matter of fact there were two delegations who came to this country. There is a national association of English retailers known as the National Association of Retailers who, I understand, have 64,000 members, a very strong organization. They came to this country to study the methods used here in the voluntary groups to meet chain store competition because chain store competition is beginning to invade the British Isles. Therefore, they came to Canada to study the Red and White program. What other programs they studied I don't know. They went





to Western Canada and studied the programs there. It is rather interesting they should come from England to us to study our method of doing business.

That in brief is the way in which wholesalers, we as wholesalers operate.

In regard to that chart, in my opinion there are three things that enter into the spread in that ten year period. First of all is the matter of labour. I would suggest it would be very interesting if we took the Dominion Bureau of Statistics labour report and project a line on that chart and see where it would come out. I know it would be way above the top line. I don't know exactly what our labour costs have increased in the ten year period. I do know that in the Toronto area they are up about 60 per cent. I am talking about labour rates. I am not talking about dollars and cents spent on labour. I am talking about labour rates. When you compute labour rates you must add all the increased business, show an allowance for a shorter work day and work week. It all adds up to cost.

The second thing that adds greatly to the cost of merchandise is the way in which it is packed. If a housewife today wishes to buy bread sliced and wrapped instead of buying ingredients and making it as my mother did, naturally it is going to cost more money. I am not suggesting that a lot of housewives





were making bread ten years ago. I would suggest there are fewer today. There are so many things. Take cake mixes. I have mentioned that. If one wants to go beyond a cake mix and buy a cake finished, iced and ready to put on the table, the cost of the food is going to be greater.

Take in the realm of infant feeding, junior food, for which there is a very great sale. When my children were young, my wife made her own infant food. She bought raw vegetables and cooked them and scraped the meat and so on. Now if you are going to buy that in a can that contains three and three quarter ounces or four ounces it is going to be a very expensive proposition. Labour goes into that price and the transportation, it all adds to the cost.

Take in the realm of frosted foods, T.V. dinners for example. If you will buy frozen merchandise and have refrigeration equipment at the main warehouse and on trucks and in retail stores, you are going to add to the cost of food reaching the consumer.

Then you have such things as soap. For example if you are going to sell soap in four colours and handle it, it will cost you more in the aggregate, keeping a record of the stocks and so on.

All this has to do with the chain standards which have occurred over the last ten years and do







add to the cost of merchandise and therefore add to the spread of which I have spoken.

Now the third thing which has increased your spread is the question of taxes. I haven't the figures for the Province but just in a brief few minutes I have asked our accounting department for some figures on that. I asked them to take three of our branch points where there has been no change whatsoever in warehouse facilities. Within a ten year period we have changed quite a few, adding refrigeration and that sort of thing. In these three cases there was no change. I discovered to my amazement the municipal taxes in those branches showed an increase of 82 per cent in ten years. When I say taxes I am talking about property taxes, also business taxes. As you know the wholesalers in the Province of Ontario are taxed on the basis of 75 per cent of the value, of the assessed value of the property they occupy as a business tax. We have been protesting against that in my experience for 30 years. The manufacturers rate is 60 per cent and the department store rate is 50 per cent and the retailer rate 25 to 35 per cent, depending on the size of the municipality.

Now, take gasoline tax, it is up 18 per cent in the Toronto area in the last ten years. Income tax, that is to say the Federal and Provincial, is up 32 per cent in ten years.

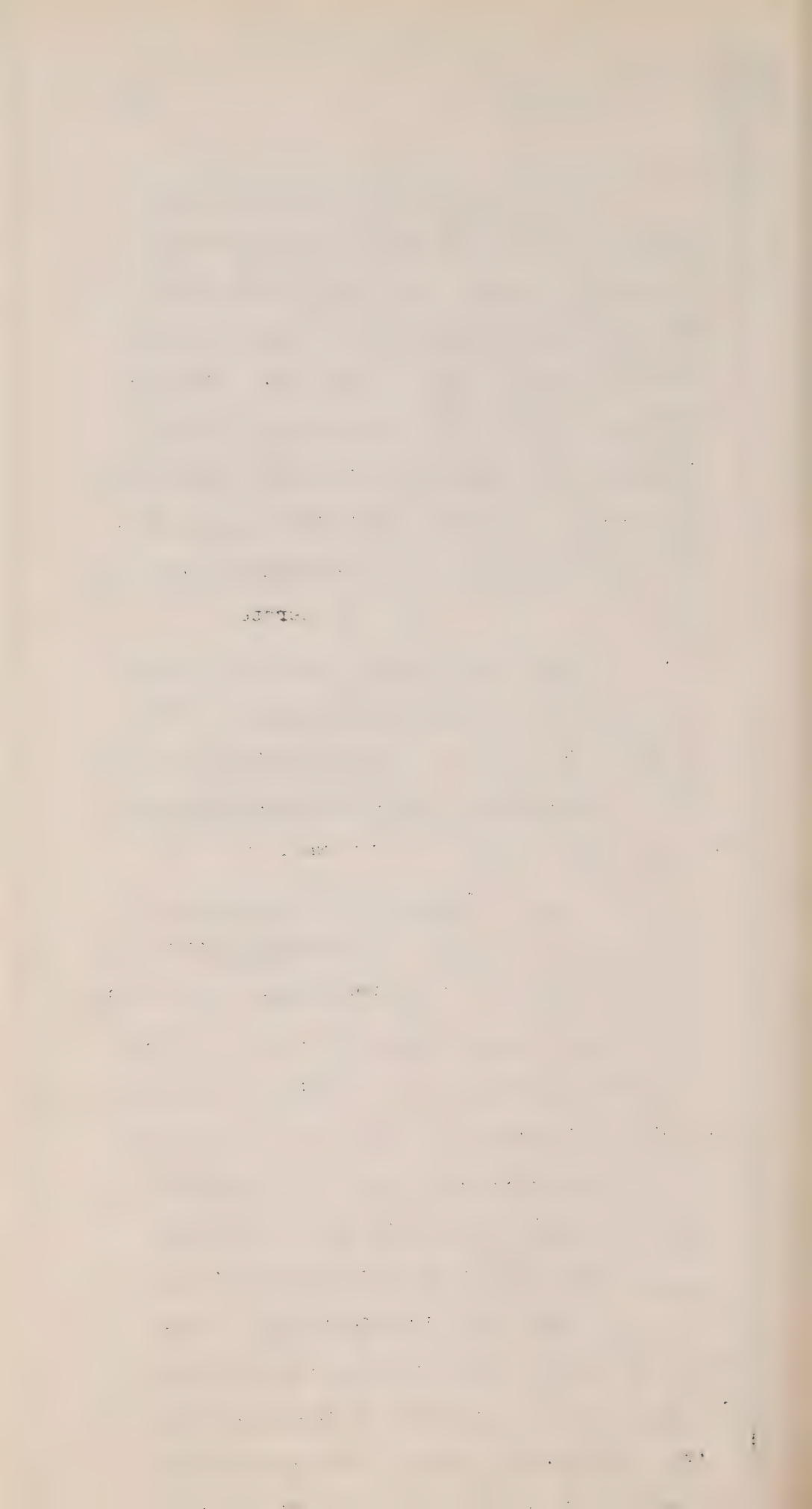




Now referring specifically on these points to the figures which I have here I have written these down. Our sales in the period of ten years have increased 52 per cent. Our profit before income taxes 6.5 per cent. Our profit after income taxes has decreased 10 per cent. Dividend paid shareholders decreased 15 per cent. During that period of time it has required 21 per cent more capital for us to operate our business.

Now, in my opinion these three things account for a great deal of your spread. The question of labour - - whether the labour is paid at the manufacturers level, the wholesale level, or the retail level.

I was listening in to something here said about processing. It was suggested it would be more economical to pack one pound bags of sugar at the manufacturers warehouse than for the retailer to pick them out of a barrel as they used to in my boyhood days. While that may be perfectly true don't forget that the retailer who took the bananas off a stem and cut them and weighed them was paying the man who did that a very much lower salary ten years ago than the man who worked in our warehouse and bands and weighs them and puts them in forty pound bags for delivery to the retailer. The labour all





the way through adds greatly. Labour in transportation is also a very great deal higher. If you take labour and difference in packaging it adds up. I have mentioned bananas, now let us take potatoes. We used to sell them in ninety pound bags and seventy-five pound bags. Now, it is five and ten pounds. If you want to know what it costs to handle this whatch a man unload a car load of five pound bags against unloading seventy-five pound bags.

The third thing I have mentioned is the question of taxes.

In so far as the position of the wholesaler is concerned I would suggest he is indispensable from the national viewpoint. In the latest report from the Dominion Bureau of Statistics, which is for July 1958, in Canada under the heading of grocery and combination stores, the chain stores have 40.2 per cent of the total business, the independents 59.8. When you come to the Province of Ontario you have quite different figures. For the chain it is 57.6 per cent and the independents 42.4 per cent. It is important for the small towns and villages that if they are to perform a useful function in serving their community then it is important the wholesalers do, as we have been doing, and make those stores competitive.

There is just one illustration and then I







am finished. I was born in Elgin county on a farm and the little town where I received my public school education there were at that time three merchants. Each of them was making a fair living, two of the three certainly were. Today there is one. The population of the town is greater now than it was then. That one merchant I think would not be in business today, except he has twice or three times modernized the store, enlarged it, gone into a cash and carry basis and a serve yourself basis, and now he is getting growing pains and wants to enlarge again. That man would only be able to hold himself against the neighbouring city with large markets if he is operating with modern methods and displaying fresh well displayed merchandise and his price structure must be competitive. In these days of good highways a matter of nine miles is just a little jaunt in the evening.

Now, the wholesaler and the retailer must work together on that sort of plan. If they can they can be competitive. The retailer can use his personality, which is one of his most valuable assets, and he is going to make some money. If they don't do that in all too many instances you will find the retailer going out of business.

I don't suggest there is not going to be the very small store, usually described as the "Mumma-and-Poppa" store, which is a service store and helpful







for after hours. There is no overhead to speak of, a small stock, it is a matter of convenience. Those stores will always have their place even in the cities after the other stores close. In the main the larger retail outlets will have to establish some such program as this if they are going to stay in the larger centres particularly. You can go into the U.S.A., as I have done considerably, and find whole areas where you will find no independent retailer who is not linked up with some wholesale house.

I hope I have given you a bit of the picture, sir.

THE CHAIRMAN: I hope you will allow me to say it has been a very interesting story and very interestingly told. Thank you very much.

COMMISSIONER DRUMMOND: In regard to your transportation I think you included that as another factor in the spread.

MR. BAINARD: The labour in the cost of the equipment and the labour which we employ enters into it. I would like to see a line on the chart.

COMMISSIONER DRUMMOND: You mentioned you had a number of warehouses. Has that number tended to lessen or increase in that ten years.

MR. BAINARD: In the ten years it is one less only. We had an old obsolete warehouse





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2977

in Lindsay and we were faced with the problem of building or dividing the business among other branches nearby. We wisely or unwisely divided the business. Our sales, physical as well as price-wise, have increased greatly in the ten year period. There are more people here and more money spent on food.

COMMISSIONER DRUMMOND: I was thinking about transportation and wondering whether it was the average round trip of the truck - -



MR. BAINARD: The average round trip of the truck has been just the same. We still operate the same number of branches. One thing I did not mention and perhaps I ought to have: That is in a number of places they are the cash and carry department where a small retailer may go in and shop himself in our cash and carry department and check out just as he does in a chain store. He selects the merchandise and checks out at the cashier's wicket. He puts it in his truck and drives away. Because the cost of serving a small order today is so great, were we to charge for that - we would have to break even - we are forcing that man to sell at a price he could not get for his goods.

COMMISSIONER DRUMMOND: Has the particular development of the cash and carry gone much further across the land than here?

MR. BAINARD: Yes, considerably farther than here. In fact it has gone farther in Western Canada than in Eastern Canada. All the way across the country from here to the Pacific coast both in Canada and the United States. I think we are catching up rapidly here.

COMMISSIONER DRUMMOND: When you spoke of the improvement of the labour factor and you mentioned the actual increase in wage rates and so on, you would include I presume a statement that







there has been a real increase in the wage cost per unit of the product?

MR. BAINARD: Oh, yes, definitely. There again you will be interested to know when I first entered the grocery business we were selling many articles as broken packages. For example, a case of canned goods which is normally packed 24 to a case, we sold in half dozen lots. I remember in my youthful days taking stock of some of those packages, which is almost a duplicate of the stock itself in so far as a number of lines is concerned. Now we do not break cases. If the retailer and the cash and carry wish to cut a case in two, he may do so. He does it himself. He does it himself or he does not, but we do not take orders for half cases. We simply cannot do it. Labour and transportation is too high.

COMMISSIONER DRUMMOND: One other question that is rather different. This morning I think we were told that in recent times the rate at which what we call technicalogical developments taking place in agriculture have been much more pronounced or more rapid than in the distribution end of this business generally. Is it because of that difference in the rate of technicalogical advance, that factor in itself was bound to result in the percentage of the consumers' dollar received by the farmer dropping relatively to that received





by the other departments? Does that sound right to you?

MR. BAINARD: That is an interesting statement. I do not know that I want to comment on that. I was born on a farm, but farming conditions are different today.

COMMISSIONER DRUMMOND: So was I.

MR. BAINARD: But certainly there was a great deal of machinery that did not exist when I was on the handle of the pitchfork.

COMMISSIONER DRUMMOND: This statement would suggest therefore that if we have a continuance of this difference in the rate of technicalogical development we can therefore look forward to a still further reduction in the percentage of the consumers' dollar taken by the farmer?

MR. BAINARD: That is an interesting statement. I think I would not want to comment without giving that some thought.

COMMISSIONER WALTON: I believe you also as a wholesaler serve independent stores?

MR. BAINARD: Yes.

COMMISSIONER WALTON: I mean outside of your Red and White?

MR. BAINARD: Yes.

COMMISSIONER WALTON: What I was wondering is how you provide the services to your voluntary retailer which must cost something although you





effect savings. How can you compete with the wholesaler who does not provide all these services?

MR. BAINARD: Only this: We have a contract with a man whereby he gives us all his business. We can certainly handle that much more cheaply than if we have to send a salesman out to take the order.

COMMISSIONER WALTON: You do not send salesmen out to your independent chains?

MR. BAINARD: Oh, yes, we do, and therefore while it is true we have costs in connection with group stores - incidentally, we have three groups of stores, Red and White which is our largest group in point of numbers, and then we have \$upersave for merchants of larger volume and Lucky Dollar for merchants of smaller volume. In addition to that we have also some contract accounts with some merchants who for some reason or another may not wish those services. Over that we sell the independents. We also sell hotels, restaurants and mining camps, and we will sell anyone who can buy in wholesale quantities, but our costs to these group stores are off-set by the fact we do not send salesmen out to get the orders.

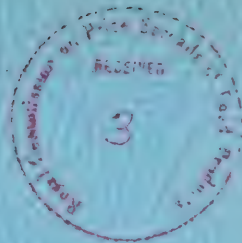
THE CHAIRMAN: Thank you, Mr. Bainard. We will read your evidence in the transcript with great interest. We will now adjourn to open in Quebec City on October 14th.

--- Whereupon the proceedings were adjourned at 3.30p.m. to resume in Quebec City on the 14th of October, 1950





*Dorothy Walton*



# ROYAL COMMISSION

ON

## PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

VOLUME No.: *18A* DATE:

OFFICIAL REPORTERS  
ANGUS, STONEHOUSE & CO. LTD.  
371 BAY STREET  
TORONTO  
EM. 4-5773 - 12251 EM. 4-5865







## TREND OF FOOD DISTRIBUTION MARGINS

The Commission Analysts will be aware that great care must be taken in comparing margins from year to year within one Company or comparing published reports of various companies in order to assure significant findings.

Within an individual chain the trend of overall results is complicated by the growing importance of non-foods. And, comparisons between chains may not be valid because of the variation in the type of business and the areas served.

What we have done, therefore, to be of assistance to the Commission, is to segregate the food division margins of our business and present the trend over the years in the form of index numbers as shown below. This time series represents our best judgment of the real trend of food retailing margins and leads us to the conclusion that "The retail segment of the spread covering the food production, processing and distribution sequence, appears to have held to a reasonably constant proportion of the consumer food dollar."

In the index numbers listed, our food margin for 1949 is represented as 100.

	1956	1955	1954	1953	1952	1951	1950	1949
7	102.35	99.87	97.65	96.74	95.05	97.78	100.00	100.00
.80								





A study illustrating the influence of technological advance in food production, processing, and distribution.

The attached survey was conducted and the material compiled by Mr. C.H. McLaughlin, Division Provision Manager, Dominion Stores Limited, 605 Rogers Road, Toronto, 9. Mr. McLaughlin, employed by our Company for nineteen years in our Provision Department, has been closely associated with the poultry and dairy products industry for many years. A member of the Poultry and Dairy Products Branch, Toronto Board of Trade, Chairman of the Branch for the year 1950, he has acted as Chairman of various Committees in the Branch in subsequent years.

In 1949 Dominion Stores Limited processed 1,556,381 dozen eggs from 350 shippers. In 1957 we processed 5,647,423 dozen eggs from 1,100 shippers. This survey takes the form of a brief commentary with certain conclusions plus supporting data.

Section 2: The format of this study, we felt, might be helpful; we wanted certain data to help build up Section No. 3, and in addition, wanted if we could, to establish the actual prices paid for one complete calendar year. The shippers chosen, we feel, are a good cross section, not the small-





est and yet not in the large to largest categories. Also, they represent shipments from areas west to east of the trading area which extends approximately 90 miles in each direction. We think the results of the study show in rather graphic form, how through good farm management a higher return can be achieved.

Section 3: This section, because it covers all cost factors from incoming freight to outgoing freight for a full year, provides a study which takes into consideration all the seasonal aspects. The figures, we believe, are self-explanatory.

The year 1950 was the earliest we could use to provide the comparisons we were attempting to make.

#### A SURVEY OF EGG MARKETS 1949 - 1957

Section 1: During the 1939-1945 war years, and continuing in the post-war years to December 1949, a tremendous production of eggs had been built up in Canada to supply Britain and the Domestic market.

With the collapse of the export market (to Britain) in December 1949, prices dropped very rapidly from a fairly stable level of around 45 cents per dozen ("A" Large F.O.B. Toronto) to a low of less than 30 cents. (See Graph "A")









As all costs of producing and marketing eggs had risen considerably from pre-war times, these low prices returned less than costs to Producers.

In 1950, the Government End Price Support Plan, on oil processed eggs, whereby the Trade was guaranteed 38 cents for "A" Large, plus carrying charges from the high production season (January, February, March, and April) to October, went into effect.

A study of the egg market for the years 1950 to 1956 inclusive reveals that up until 1957 the Egg Support Program, generally speaking, worked fairly well, (See Graphs "A" and "B"). While there were still some periods of rapidly fluctuating prices, it is reasonable to say that the Support Program had some stabilizing effect on the market.

A rather significant point should be noted with regard to the actual operation of the Support Program, i.e. that while the A.P.S.B. underwrote the Program, the Trade performed the function of purchasing, financing, storing and merchandising the oil processed eggs (1950-1956) turning over only the unsold surplus on October 1st each year. For quantities oiled and stored each year as at June 1st, A.P.S.B.





Reported statistics in Appendix "A".

Very early in 1957, it became apparent, due to a very high rate of production, plus increasing credit restrictions, that the Trade could not finance the storing of the surplus eggs. Prices dropped rapidly to less than the Support level. (See Graph "B") The Government took over direct purchasing of the surplus late in January and by June 1st had placed 360,000 cases of oil processed eggs in storage. As these eggs remained in Canada until late Fall (when production of fresh eggs usually commences to increase) the market was in a depressed condition for the balance of 1957.

A study of egg production, consumption and market trends from 1950 to 1957 indicates the following conclusions:

1. A Support Program can be effective in levelling out the market pattern during periods of high and low production.

2. Too high a support price encourages surplus production which in the end results in depressed prices on all production for the year. Too low a support price discourages production causing shortages and very high prices which reduce consumption. NOTE: It is our opinion that a retail price over 69 cents per dozen causes immediate consumer resistance. This results in very much reduced consumption and requires a great deal of mer-





chandising effort to swing the consumer back to normal purchasing of eggs even after prices have come down.

We also suggest that a net price to the Producer of less than 36 cents (for "A" Large) discourages even the efficient Poultry Farm Operator.

3. It appears that it is more effective to leave the actual handling of all eggs including the surplus, which may be oiled and stored, in the hands of the Trade. This is because their experience, judgment and selling ability will move these eggs into consumption as quickly as possible. This is very important in an industry where every producing year is a new experience.

4. Due to the increase in all costs involved in moving eggs from nest to table the Producer, Grading Station Operator, Wholesaler and Retailer must constantly strive for greater efficiency. (See Appendix "A") This is necessary to ensure adequate returns to the Producer and prices to the Consumer, which encourage consumption.

It appears that well-balanced, year-round production of fresh eggs would eliminate or decrease the necessity of storing surplus and should result in more orderly marketing.





The wide swings in price which have characterized the egg market for years could be narrowed. This will only be evolved by effective co-operation between the Producer, the Government and the distributive Trade.

#### REPRESENTATIVE EGG SHIPMENTS - 1957

Section 2: An actual report has been prepared on all eggs received from ten shippers during 1957. Prices per dozen received at the farm are represented by index numbers with the average for all ten shippers designated as 100.

SHIPPER	PRICE PER DOZEN
#1	101
#2	95
#3	93
#4	101
#5	94
#6	101
#7	98
#8	105
#9	108
#10	105
Average	100

It will be noted that shipper #9 received the highest price, eight points over the average while shipper #3 received the lowest price, seven points below average; a net differential of 15 points between shippers.

The contributing factors to this dif-







ference are as follows:

1. Shipper #9 shipped more frequently.
2. Shipper #9 had his flock producing large eggs in the season of general low production (July, August and September,) thereby receiving the best market prices on "A" Large.
3. Cleanliness of eggs, care on farm before shipment, etc., giving Shipper #9 more eggs in top grades.

A COMPARISON OF EGG GRADING  
PACKING AND TRANSPORTATION COSTS

Section 3: According to our statistical records there has been a combined increase in egg grading, packing and transportation costs of 23% from 1950 to 1957. A detailed analysis of this combined increase is listed below. Costs are represented by index numbers with the total for 1950 as 100.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

	<u>1957</u>	<u>1950</u>	<u>% Increase</u>
Freight, farm to grading station	22.37	11.19	100
Handling Labour (receiving, shipping etc.)	13.98	13.42	4
Grading Labour	17.34	16.10	8
General Expense: clerical, employees' benefits, depreciation, taxes, Insurance, etc.	35.90	31.32	15
Carton Cost	30.76	25.73	20
Freight to Stores	2.80	2.24	25
	<hr/>	<hr/>	<hr/>
Total	<u>123.15</u>	<u>100.00</u>	<u>23</u>

In the same period of time, 1950 to 1957,  
salaries for experienced egg graders increased  
88% while the grading cost per dozen only in-  
creased 8%. This has been accomplished by better  
equipment and greater efficiency of operation.





APPENDIX "A":

Stocks of oil processed eggs in storage  
under support as at June 1st, 1957 (Province of  
Ontario) -

	<u>'000 cases</u>	
1950	-	239
1951	-	71
1952	-	136
1953	-	95
1954	-	67
1955	-	80
1956	-	10
1957	-	122 (All Canada-360)

Comparison of costs - packing materials,  
cartons and freight charges:

	<u>1957</u>	<u>1950</u>	<u>% inc.</u>
Fibre Cases	.38 1/2cs.	.35 1/2cs.	8.4
Wood Cases	..63 1/2cs.	.58 1/2cs.	8.5
Keyes Trays	3.15 set	2.95 set	6.7
Freight from farm (av.).	.60cs.	.30 cs.	100
Cartons	27.25M	23.00M	18.5







### IMPROVEMENT IN PROCESSING - SPINACH

Prior to 1949 spinach was retailed in bulk. In that era the spinach had to be washed in the stores before being presented for sale, with the result that water was left in the crevices of each leaf and proper drainage was not possible.

The retail store sale necessitated packing 2 lbs. of spinach into a large 16 or 20 lb. bag. The result of such packing left the store staff with damp clothing and the customer with a packaged product in a paper bag, which in many cases disintegrated with water running onto the customer's clothing or into other groceries.

Although spinach was washed in the store, it had to be rewashed over again and roots trimmed in the home kitchen. After it was cooked, in many cases it was still sandy and gritty making it very unpalatable.

The product at the store level and in the customer's home was not a particularly desirable one with the resultant low volume though lack of customer acceptance.

Processors began in 1949 to pre-package washed and trimmed spinach in 10 ounce cello bags. This form of pre-packaging was on an experimental basis but the rapid demand





created by the customer progressively diminished sales of spinach in bulk form and increased materially the total tonnage consumed of the product in its pre-packaged form. While processors and retail distributors were somewhat pessimistic about the acceptance of pre-packaged spinach over the bulk product, the customer, being the final judge, indicated her preference.

The gain in momentum for pre-packaged spinach can best be shown, we believe, in the statement of one major processor, who in May of 1950 recorded 20,000 pounds packed in one week as compared with 75,000 pounds packed in the same week in May of 1958.

The product today advertised as "Ready for the Pot". besides being pre-packaged, is mechanically washed several times, spin dried, carefully graded with all poor stems culled, before the packaging process takes place.

#### PACKAGING OBSERVATIONS

Packaging has always been an important function in food distribution and as is the case with all other phases of the industry a great many new developments have taken place in recent years.

It will be extremely difficult to confine our comments under the heading of Packag-





ing to simply the act of putting a product in a basket, a box, a tin, bottle or package. To-day and very properly so, together with packaging go hand in hand:

Food Preservation -  
Grading -  
Brand Promotion -  
Convenience -

plus the ability to handle, examine, carry and ship the product from point of processing to the consumer's home. Experience has proven many times that if the form in which a product is presented for sale to the public does not please them - they stop buying. Whether the reason for public disapproval is cost - quality-size-shape-colour or type of package, is sometimes difficult to determine but the end result is the same - if they don't want it they don't buy it.

Some criticism has been made of packages being too elaborate, too many pictures, etc. Some have even suggested that a plain white label with simply the product identification and grade printed on it is all that is required.

These thoughts are usually expressed by people with a very sincere desire to see the cost of food held as low as possible and the spread narrowed down. However, desirable as it might be to lean toward the plainer, simpler things, the die was cast many, many years ago,





which determined that this could never come to pass if we are to maintain and improve our way of life. Basic human - democratic principles are involved which of course, none of us are prepared to relinquish. That principle is pride of ownership-that which is ours we wish to identify as being part of us.

Thus Brand Promotion immediately becomes a part of Packaging, and competition for consumer demand for a product, a brand, finds its way into the package as well as the product. This is progress- without competition none of the things we enjoy today would be possible and our standard of living reduced proportionately. Possibly in a somewhat different manner, but through the same general processes, grading becomes more important with packaging. Packaging automatically requires identification as to grade, the name and address of the processor or packager, and in addition to being required to meet Government grading standards, there is the acid test of consumer acceptance of that particular brand.

Let us move now to another and extremely important phase of the whole subject. It is now very firmly established that a very large percentage of the consuming public want self serve food stores. This being the case packaging immediately becomes of special importance.







Attempts have been made to have the consumer spread her shopping for food more evenly over the week. Some of these experiments may have been partially successful, but for the most part they have been dismal failures. Merchants have found they must be prepared to serve their customers when the customer wants to shop. In Canada at least 75% of the food purchased is bought on Thursday, Friday and Saturday. Without pre-packaging with goods sold in bulk and weighed up at time of purchase, it would require from 25% to 50% more stores or at least if not more stores a corresponding increase in floor area to handle the business.

This approach then, without any other considerations, is sufficient to prove how uneconomical it would be. Further- return to the so-called bulk era would at least in some commodities be more costly at the processing or manufacturing level than today's prepackaged system.

The reason is simply that today's package is to a very large extent, a machine pack. The so-called bulk container does not lend itself to mechanization, obviously the, the cost of the product as it left the factory would be higher, to which would require to be added the labour at the store for weighing up, and the cost of the bag it was put in.





Factory packaging has reduced waste of product at the wholesalers level, at the retailers level and in the customer's home. Let us take just three well known items.

Soda Biscuits -

Shredded Wheat -

Eggs.

The former soda biscuit bulk pack was a box about the size of an egg crate. Once opened in the store it was immediately exposed to the atmosphere and at least in most parts of Canada with the possible exception of Alberta and Saskatchewan, with very high humidity on the second day they were damp and uninteresting. Add to that the breakage and other waste plus the cost of weighing them up and it is easy to see how impossible it would be to return to that system.

Shredded wheat for many years was packed in the same size and shape of box. On March 1, 1958, the Shredded Wheat Company started to wrap three individual pieces of the product in waxed paper. The Box has always had twelve in it, now it has the same number but four individual packages of three in the box. Why spend the additional money? The answer of course, is that once opened at home unless the total contents were used up, in a couple of days the balance were damp and uninteresting and were wasted. Thus here we have a simple example





of the need for packaging and while the cost of packaging may be slightly higher, the waste at the consumer level will be eliminated and it would be natural to expect an increase in sales because of greater consumer satisfaction.

Eggs -- first of all so-called bulk eggs cannot be handled on a self-serve basis. Even trying to carry a dozen eggs home in a paper bag from a roadside stand is not practical - the breakage and the loss incurred is much greater than the cost of the carton. Cartoned eggs give greater assurance to all concerned that the eggs are up to the grade and size as marked, not possible with loose eggs. Cartoned eggs in most modern food stores are code dated thus enabling the retailer to rotate his stocks properly with greater assurance to the consumer as to quality. There is another very big factor in packaging which is applicable specifically to two items this Royal Commission will be studying in detail:

- . Poultry Meat .
- . Fish Products .

The consuming public have in no uncertain terms indicated during the past three perhaps four years, that they want oven or pan ready poultry meat and that they want it on a year-round basis. The meteoric sales increases of poultry meat are undeniable evidence. The oven-ready and year-round aspects both







demand a packaged product. From the retailer standpoint it would be physically impractical and impossible to handle today's volume of poultry meat if it came to them in the former so-called "New York dressed" form. We have not, but perhaps some one has attempted to, compute the savings in transportation costs:

Oven-Ready vs New York Dressed.

At the retail level the heads, feet and entrails when removed were placed in garbage cans for which the retailer had to pay extra for removal. Removed at point of processing at least some reclamation may be made but at least disposal at that point is much less costly and transportation is not paid on the inedible parts of the bird. Theoretically at least this method of marketing would appear to have all the elements of reducing the spread.

Fish products are in very much the same category. Even the very best transportation arrangements, worked at diligently by the retailer and the supplier, have failed to the best of our knowledge to develop a system of distribution for fresh fish which is in any way satisfactory except for large hotels and some institutions and a very limited number of specialists in the fish business.

This is true even in coastal ports such as Halifax and Vancouver. It is our opinion that





in order to achieve the maximum in sales of fish that the one paramount factor in all selling and more particularly in food is:

It must be available in a convenient form 365 days in the year.

The cost of transporting fresh fish even by air cargo is costly not only in the matter of the method of transportation but again transportation is being paid on thousands of pounds of inedible product, which in addition to anything else poses a serious disposal problem for retailer or customer. Through the advent of modern processing equipment - packaging equipment and methods - freezing and storage - fresh fish of all types can now be available every day of the year. With the very great strides being made in the matter of frozen food display cases and distributive systems to supply them we feel the day is not very far distant when the consuming public in every part of Canada will be able to enjoy their favourite fish at any time.

We feel confident distributors and retailers will co-operate with the fisherman and the processors to promote the product of the sea in a manner which we trust will not only create a demand for the product but that in the process the producer may benefit.

We feel our comments would not be complete unless we made reference to the packaging of fresh





fruits and vegetables. The potential market we believe is much in excess of the present day consumption.

We realize that the subject is a very highly controversial one, but its importance is so great we are encouraged to express some opinions. We have referred to fresh fruits and vegetables in other connections and as previously stated, it is difficult to disassociate packaging from grading and other pre-shipping requisites. Packaging to be effective must incorporate features designed to be beneficial at all levels, from the consuming public back through retailer, wholesaler, processor and producer. In some cases in order to achieve the maximum benefit it may be necessary to widen the spread between that which the consumer pays and the producer receives in order for the producer to receive a price which will represent a fair return on his investment and proper compensation for his labours. If the end result of proper and adequate pre-shipment requisites and more expensive packages is that the consumer pays a higher price, then it is necessary to apply further analysis which of course, would be the examination of "Value Received", by the consumer. If the former methods resulted in the bruising of the product to a point where the customer was required to throw out a goodly percentage of the product then two things have happened.





1. The cost paid by the consumer for the total quantity was not in fact correct, she had paid a certain price for xxx pounds but in reality is paying for xx pounds so that the price of the edible product is increased in direct relationship to the amount thrown out.

2. No one enjoys waste and in addition to the loss incurred, the normal reaction is to refrain from buying further quantities.

Fresh firm fruit of good appearance will increase the demand. Dull, bruised fruit will curtail sales. Mr. Pearsall, Director Marketing, Federal Department of Agriculture, in addressing the Central Ontario Division of the Agricultural Institute of Canada, told the group that unless and until the potato growers of Ontario paid more attention to:

Selection of proper seed -

More adequate soil preparation -

Application of fertilizer on a more scientific basis -

More care in harvesting to avoid mechanical injury -

More strict application of Grading Regulations -

Development of orderly marketing through enlightened growers associations,

they could not expect to get proper prices for their crops.

In addition to the package being required to carry the goods from shipping point to consumer in a way which will provide maximum protection the







matter of labour costs in handling en route is of vital importance. From this standpoint some of the packages now in use are of a design which makes the handling of them at every level, except that of the customer taking them home, a very costly procedure.

Packaging, designed to get the goods to the consumer in the peak of perfection with as little waste as possible in the home, thoroughly integrated at all levels of handling to protect the goods and minimize handling costs is we feel, one of today's most powerful tools in selling maximum quantities and reducing waste.





DISTRIBUTION OF RETAIL FOOD SALES IN  
CANADA BETWEEN INDEPENDENT AND CHAIN STORES:

	<u>Independents*</u>	<u>Chains*</u>
	(as a percentage of total food sales)	
1949	67	33
1950	65	35
1951	64	36
1952	66	34
1953	64	36
1954	62	38
1955	60	40
1956	58	42
1957	57	43

\* Source - Dominion Bureau of Statistics

THE EVOLUTION IN STORE SIZE: Many factors have combined to bring about the change from the 1,000 square foot (selling area) neighbourhood grocery store to today's 15,000 square foot and larger (selling area) supermarket.

Early in the 1920's self-serve food stores were started. Three important changes took place.

1. Former back room stocks were moved "out front" and arranged on display fixtures to permit individual selection by the customer.

2. Floor space in the form of aisles was necessary to permit customers to move freely about the store while shopping.

1. The first part of the document is a list of names.

2. The second part of the document is a list of names.

3. The third part of the document is a list of names.

4. The fourth part of the document is a list of names.

5. The fifth part of the document is a list of names.

6. The sixth part of the document is a list of names.

7. The seventh part of the document is a list of names.

8. The eighth part of the document is a list of names.

9. The ninth part of the document is a list of names.

10. The tenth part of the document is a list of names.

11. The eleventh part of the document is a list of names.



3. Checking counters, aisle space to approach them, lobby space in front of them, and space for shopping baskets was required.

The Cash and Carry aspect of most self-serve stores met with consumer acceptance. This combined with improved merchandising techniques attracted more trade, greater volume and more space was required.

The acceptance of the Cash and Carry method for dry groceries encouraged the enterprising merchant to put in a fruit and vegetable department and then later came meat and a further increase in space required for dairy products.

Cash and Carry had "caught on". Larger volume, sound inventory and quality control on the part of the efficient Cash and Carry merchant gave him a further plus - Fresher better Quality Food.

Then came the "Shopping Buggy". Floor space which had been adequate in the shopping basket era was no longer sufficient to permit shopping in comfort. The result - wider aisles - bigger stores.

Cash and Carry - Fresher Better Quality Food plus comfort in shopping brought more trade and up went store size.

Then came the day when more people had cars - main streets were crowded and the evolution, of course, was the Parking Lot.

The ability to park in comfort close to







the store again brought an upswing in volume requiring bigger stores.

All through this period another influence was steadily gaining momentum.

The shopper able to browse leisurely through the store examining items - brands, sizes, making her own selection was "Buying" more food and a greater variety than it had ever been possible for the service type store to "Sell" her.

Our producers and processors were quick to realize the trend and new items and sizes made their appearance very rapidly.

Labels were dressed up to meet the Self-Serve trend and the start of "Motivation" was well under way.

Continuing consumer acceptance of all the factors outlined above brought steady pressure to bear on the enterprising merchant to further increase store size to provide more of those factors which in no unmistakable way his customers were telling him they wanted.

The war years slowed down the building of new stores and the modernization of old, but -

"It did not stop the planning for what the "Post War Store" was going to incorporate."

Encouraged by the Government to be prepared with a Post War Development Programme the Food Distribution Industry, together with all industry,





diligently set about to do the research, study and planning necessary to make our contribution to the Post War era.

Store and parking lot size was by no means the major consideration.

We were now in an era where the full impact of engineering acumen was to blossom forth in new refrigeration techniques - capable of the preservation and display of food formerly unknown.

The war years and shortage of labour on the home front was a further inspiration to the creative mind, and we were now in the mechanized era. New materials handling equipment - electrically operated machines replaced the former hand operation and a never-ending stream of inventions to improve productivity and lower costs.

The end result turned out to be that a store layout incorporating all those factors the customer had shown her preference for, plus the addition of new fixtures and equipment was the first step.

The a building of the size and shape required to house and service the newly designed "Selling Space Layout" was designed and constructed.  
- And so it has gone each step forward.

The population shift to what is today called Suburbia.

More and more families with automobiles -  
More automobiles per family.





More refrigerators in the homes.

More and more frozen food.

More married women in industry.

More table-ready foods required to meet the current demands.

More and more demand for further self-serve in Meat, in Produce, in Bakery Products.

The swing to Cash and Carry for milk and cream for their convenience (and savings in some areas).

Pronounced demand for a Wider and Wider variety and selection - plus all the other factors - have brought us up to where we are today.

Again through all this evolution and the aggressive approach to lower cost through elimination of waste, including antiquated practices requiring unnecessary labour, the back stage job was keeping pace with the improvement in the store. This too had an influence on Fixture Layout and size and linear feet of shelving required.

The objective was to move the processed product from point of manufacture through the various distributive channels arriving at the store in the same original shipping container. Not having been required to be opened at some central point, repacked into another smaller shipping container. Then the next step to have as many items as possible with





sufficient space available on the shelf to make it possible to put the entire contents of the original shipping container immediately on the front room shelf with the resultant saving of labour at all levels.

In closing this paper, in order to have some factual data pertaining to the additional new items considered necessary in today's super-market, we have the following authentic data from one of Canada's highly regarded national food processors.

Of their 1957 total sales in Canada:

34% of that volume was in lines and/or sizes they did not produce in 1954.

50% of the 1957 volume was in lines and/or sizes they did not produce in 1947.

The products of this firm are in the heavy volume range - used in families in all walks of life, found in practically every home and in hotels and restaurants throughout the Country.

We could go on to recite the very definite consumer acceptance of household supplies and health and beauty aids not to mention a wide range of colour in toilet tissue and in toilet soap.

Yes! It has been a time of steady progressive development.

Evolution really at work.

Inspired and carried out with the objective







having been constant.

To bring to the consumer throughout the Country the products of the soil and the sea, in a manner acceptable to the consuming public generally, and at the same time to perform that distributive function in a manner designed to be of benefit to producer, processor, employee, owner and/or shareholder.

The greater efficiency possible in the larger type store, combined with greater volume, generally produces a lower expense ratio than in the smaller type stores. As examples, twelve representative stores for each of small, medium and large size groups have been selected at random and current store total operating expenses are compared below. The small store average total operating expense related to sales is shown as 100 with all other stores compared to this expense ratio.





REPRESENTATIVE STORES' TOTAL OPERATING  
EXPENSE INDICES:

<u>Store</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>
A	94	82	88
B	93	88	79
C	64	79	81
D	74	79	62
E	70	66	74
F	101	95	82
G	114	79	97
H	74	92	96
I	71	78	75
J	111	88	114
K	155	105	87
L	129	96	73
Average	100	87	81





A LIST OF NEW FEATURES AND EQUIPMENT IN  
RETAIL FOOD DISTRIBUTION:

- Paved parking areas with planned traffic movement.
- Mercury vapour parking lot lighting.
- Landscaping.
- Electric sub-station facilities
- Increased fire protection through sprinkler systems
- Protective building canopies.
- Improved quality and appearance in building construction.
- Seasonal exterior sales displays.
- Air conditioning in stores.
- Terrazzo floors.
- Acoustically designed ceilings.
- Automatic doors.
- Shopping carts.
- Kiddy corners.
- Recorded music.
- Public washroom facilities.
- Enlarged and improved employee accommodations.
- Automatic checking-out counters.
- Increased store lighting.
- Snack bars.
- Reversible floor-to-floor merchandise conveyors.
- Powered meat saws.
- Pick-up stations for customers' orders.
- Wide shopping aisles.
- Delicatessen department.







In-store bakery.

Automatic coffee grinders.

Coolers for meat, produce, dairy and frozen food products.

Holding rooms for meat products.

Automatic meat wrapping machines.

Refrigerated display cases for produce, frozen foods, etc.

Automatic weighing and price-computing machines.

Machine compressors - up to 20 in number, depending on power requirements.

Cash registers with local sales tax computation and change calculator.

Prepackaged food items.

Improvements in product display shelving for customer shopping convenience.

STORAGE: Storage as it refers to food products occurs a very great variety of situations and circumstances which would require a much more exhaustive study than could be attempted in a paper such as this, if proper conclusions were to be reached concerning each. This being the case we shall attempt to make some observations which may be useful in the overall studies of the subject which will be made by this Royal Commission.

During the past forty years, many changes have taken place, some of which being more apparent to the casual observer, may have received more





attention or publicity, than the storage function.

Storage is of paramount importance, since a large portion of agricultural and fisheries production is seasonal, with the harvest period relatively short for most commodities and for some only a matter of days. We emphasize the importance of storage because the need of it applies to such a great percentage of our total food production.

Storage costs vary according to commodity both as to the length of time in storage and as to the type of storage required. The cost of buildings and equipment for storage purposes vary considerably, depending on the facilities provided. A plant providing storage at below zero temperature is much more costly than a structure for common storage. We believe it is an accepted fact that storage of all types is necessary and if so, then those people who invest capital to provide storage facilities are entitled to a return on their investment.

Those individuals who own the product which is stored are entitled to add to the original cost of the product the cost of storage and handling, plus a return on the capital they have invested in the product. We have purposely made our statement as above because we consider those things enumerated as "Pure Storage Costs," and as such, believe them to be a legitimate "Value Added" factor and while having an influence on the spread, as any other cost





does, it is a necessary and desirable function.

How storage is done -

Where storage is done -

By whom storage is done and

Why storage is used -

obviously leads into a very wide and controversial field which we shall not attempt to deal with.

Properly controlled, well administered storage, conducted through the normal distributive channels by people normally engaged in the food business, be he producer, processor or distributor is a necessary and vital adjunct to Orderly Marketing.

Where storage can be detrimental to orderly marketing and in some cases has added unnecessarily to the spread, is when the producer or even secondary holder of a product requiring storage has been unable to finance the programme and the goods have found their way into speculative hands not normally engaged in the food industry.

There has been considerable improvement during recent years but we feel there is room for a great deal more which if successfully carried out can be equally beneficial to producer and consumer. Apples, perhaps, are as good an example of the benefits to be derived from storage as any. Not many years ago the apple season was relatively short. Modern techniques have at least doubled it. Other factors such as the realistic approach apple growers





have taken to eliminating the trees that produced the undesirable varieties have also been helpful. However, the availability of cold storage and latterly, controlled atmosphere storage, has made it possible to greatly reduce the shrinkage which took place in common storage or in the consumers home and provide better quality for a longer period thus we feel increasing consumer demand.

At this point we would like to move to the other end of the distributive channel and look at some changes which have taken place as to where the responsibility for storage of food now lies. The retail store of forty years ago, particularly those not located in the three or four large metropolitan areas of the time, was required to do a great deal of storage. On some commodities it was necessary to buy a full year's supply at one time. Six months supply was not uncommon and sixty days was the general rule.

The wholesaler of that time was really in the storage business in a big way and some brokers found it necessary to do considerable storage.

Improved Communications and Improved Transportation have combined to render distance no longer an obstacle. Greater production in all areas, the opening up of vast new areas and finally production in excess of domestic and export requirements brought







about a condition where the retailer and the wholesaler were no longer required to carry products for such lengthy periods.

Because of surplus production Government programmes of various types have been introduced, some of which have required considerable storage as part of the programme.

Then too, the function of the processor in many cases has changed considerably. With a generally full and sometimes a surplus supply position the processor has found an ever increasing portion of his time, effort and capital being taken up in the marketing process. As a matter of fact, an important and vital part of marketing today is brand promotion. Not only does the processor require to have maximum coverage in his distribution, he is required to develop consumer acceptance of his product. As that consumer acceptance is developed, so the need increased for him to have the product on the grocer's shelf 365 days per year. So we see how the responsibility for storage has changed with the changing times and we feel those changes have been, in the long run, beneficial to all concerned.

Under today's economy it is a fair statement to say that a retail food business or a wholesale business can be run successfully with virtually little need, if any, to engage in the storage of products. When it is necessary it is usually on





a short term basis and on a few commodities.

We feel this is as it should be since the primary function of both wholesaler and retailer is that of selling food and related items. Most successful merchants today stay strictly away from speculation in food products and conduct their business on a basis of regular ordering and on the purchases basis of price prevailing date of shipment. We in Dominion heartily subscribe to this policy and practice it in the daily conduct of our business. If the statements made so far in this paper are correct and we believe them to be, we find then that the Storage Function is narrowed down to the fields of the producer and processor. This we consider to be a good thing from many standpoints.

A steady flow of products from processor through wholesaler and retailer, on a bi-weekly, or if it can be achieved, a weekly basis, will, in the final analysis, achieve for all concerned a more even work load which is so necessary to achieve maximum productivity.

Furthermore, the closer the regular shipments through wholesaler and retailer can come to representing their respective sales to customer and consumer, the more it will enable the processor to control his production and marketing programme with resultant benefit to all.

In the matter of perishable food products





the shorter period of time they are in the hands of either the wholesaler or retailer, the better it is for producer and consumer alike. Quality and freshness are the two most vital factors in the achievement of maximum consumption of any perishable. We believe that adequate and efficient storage facilities of all the various types required by today's food products are a very definite necessity. While good progress has been made during the past few years, there are still a great percentage of the storage buildings in Canada which are antiquated and because they do not lend themselves to modern materials handling equipment must be adding greatly to the cost of performing the storage function.

If our assumption is correct that proper storage, properly controlled and well administered, can be instrumental in the matter of orderly marketing, improved quality, lengthening of marketing seasons for perishables and an even flow of products through all channels, then we trust in their examination of food handling practices in Canada, this Royal Commission may find avenues through which the use of storage may be increased and enhanced. We would heartily endorse a programme which would accomplish the four things referred to:

Orderly Marketing -

Improved Quality -

Lengthening of seasons for perishables -

And the even flow of products through the distributive channels.







This, we feel, would be of benefit generally, but would express the hope that the producer might be able to profit from any increment which might accrue through the more scientific use of storage and at the same time the consumer may benefit through better quality which means better value for her food dollar.

In closing, we respectfully draw to the attention of this Commission the need for pre-cooling equipment in many of our fruit and vegetable growing areas. Enormous quantities of good food have been wasted over the years contributing very greatly to the spread.

A great portion of this waste could be eliminated and the distances the products could be shipped would be greatly increased if proper pre-cooling equipment was available to take out field heat as quickly as possible after harvesting.

While this reference to pre-cooling is perhaps not directly associated with the subject of Storage, we feel they are in the same general area and, for that reason, have included it in this paper.

TRANSPORTATION: Transportation is a cost factor applicable to every item of food whether sold in its raw or processed form. This is an extremely variable factor according to the commodity, point of origin and point of ultimate sale.





With many commodities, total transportation charges are affected greatly by the number of channels they are required to pass through on their way from the farm or the sea through:

Processing

Brokerage

Storage

Wholesaling and finally to the Retail Store.

Transportation cost to the point of processing is quite often a hidden cost but nonetheless a very real one.

(a) Farm to Wholesale Market

(b) Farm to Point of Retail Sale

(c) Farm to Shipping Depot.

(d) Farm to Grading and Packaging Depot.

(e) Farm to Packing Plant

(f) Farm to Processor (canning or freezing) Plant.

Our reason for referring to this initial transportation cost as sometimes being hidden is two-fold.

1. quite often performed by the producer himself and not shown up as a "Cost Factor".

2. The "Price" to the producer is quite often set as F.O.B. the points named.

Each individual product requires to be studied separate and followed through each step to arrive at the amount included in final "Laid-in Store





Cost", which is applicable to transportation. Transportation as a "Cost" factor offers a very great field for study and improvement. We feel this is one area which up to this point has not received the thought and study from a scientific approach to which it is entitled. A great many food organizations have, in very recent years, taken steps to move goods through the most direct routings possible and through the study of the "Load Factor", have made reasonable progress in the elimination of unnecessary Cartage Costs which have been of direct benefit to all concerned. This field alone presents itself to us as being a factor in the increasing of the Spread, of sufficient magnitude to justify the concerted and co-ordinated effort of all in any way concerned with food.

Under another heading we shall touch on money wasted on transportation from which no one can hope to benefit. We make reference to the transportation paid on perishable product which, on arrival at destination, is unsaleable. The transportation charges in this case are a direct addition to the spread.

The points at which transportation costs are added to the value of the goods, and the method of practice applicable, as food moves through the various channels en route from Producer to Retailer varies;





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

By Commodity

By Areas

By Companies.

Further variations occur within the three headings named above. Actually, what we are endeavouring to point out is:

"That it would be an extremely difficult assignment to take fifty items from a food store shelf - trace it back through each channel and establish the actual transportation charges applicable to those items and establish just what part Transportation represents expressed as a percentage of the spread."

There are many reasons for making the above statement, not the least of which is that transportation costs are not, on many items and in many circumstances, "Pure Transportation Rate Costs". Each additional step added, over and above the straight line distributive channel, 'a full carload or truckload ex factory direct to distribution centre', invariably adds handling costs which become part of transportation.

We have indicated that the invoices a wholesaler receives do not, in many cases, bill him with the goods on an ex factory basis with transportation for the shipment being billed separately by the transportation company. Many manufacturers sell their goods F.O.B. the wholesalers' plant. On







some commodities the F.O.B. wholesale plant cost varies by geographical location and the manufacturer's price set by zones across the nation. Zone pricing incorporates some of the features of Freight Equalization.

Reference is made above to transportation and/or handling charges varying greatly according to the channels through which product is required to move. Perhaps frozen food is a good example of how costs can be added or saved according to the methods used.

#### Starting Point:

A frozen food processing plant located in South Western Ontario.

Product - Vegetables grown in the same area.

#### Goods Sold through Channel No. 1:

Goods F.O.B. Plant one (1) dozen to case weight 20 lb.	\$2.00 doz.
Add Freight to Public Storage in Toronto 20 lbs. @ .95¢ cwt.	.19
Add Handling In and Out 20 lbs. @ .40¢ cwt.	.08
Add One Month Storage 20 lbs. @ .25¢ cwt.	.05
Add Cost of Pick-up from Storage by Frozen Food Distributor 20 lbs. @ .12¢ cwt.	.02
Add Distributors' Charge for Warehousing, Distributing, Invoicing & Collections, etc.	.10
Minimum Charge .10¢ per doz. (some go up to .15¢)	

TOTAL COST F.O.B. STORE -

\$2.44





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

44

# Goods Sold through Channel No. 2:

Goods F.O.B. Plant \$2.00 doz.

Deduct: Regulat ex Factory discount for full truck load - one order - one customer - 7 1/2¢ doz. .075

Deduct: Pick-up by the customer entitling customer to the Freight Allowance 20 lbs.@ .95¢ cwt. .19

COST EX FACTORY - \$1.735

Add: Customer's arbitrary Freight Charges 20 lbs.@ .50¢ cwt. .10

(Empty Refrigerated Truck having delivered orders to stores in the area.)

Add: Distribution Charge which includes handling in and out, order assembly, plant labour, all building overhead, all trucking overhead delivered to stores.

Five Percent (5%) upcharge on F.O.B. Plant cost .5% of 1.83 1/2 - .092

TOTAL DELIVERED COST: \$1.927

Channel No. 1 - F.O.B. store cost \$2.44 doz.

Channel No. 2 - F.O.B. store cost \$1.927 "

DIFFERENCE - \$ .513 "

In cases where the 7 1/2¢ per dozen ex factory discount was not applicable or where the freight haul was less, obviously the difference would be minimized.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Eliminating:

Factory Discount of 7 1/2¢ per doz.	.075
Freight Allowance @ .95¢ cwt.	<u>.19</u>
	.265

The direct routing, 'factory to distributors' plant' results in a saving of: .248¢ doz.

There are many more avenues through which by study and planning between all parties concerned - producer - processor - distributor - great savings can be brought about.

Have Freight or Transportation costs advanced?

The answer is - YES.

The following authentic examples perhaps may be helpful.

No. 1 - Eggs:

Originating within a 100 mile radius of Toronto -  
1950 cost .30¢ per case (30 doz.)  
1958 cost .60¢ per case  
Increase .30¢ per case - .1¢ per doz. or 100%

No. 2 - P.E.I. Potatoes:

Shipped to Toronto -  
1947 rate .39¢ cwt.  
1958 rate .61¢ cwt.  
Increase .22¢ cwt. - .2¢ per 10 lb. bag or 56%.







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

No. 3 - B.C. Apples:

Shipped to Toronto -

1947 rate 1.50 cwt.

1958 rate 2.00 cwt.

Increase .56¢ cwt. - 1/2¢ lb. or 37%

No. 4 - Canned Goods:

Ex Penticton, B.C. to Toronto -

1947 rate 1.40 cwt.

1958 rate 2.21 cwt.

Increase .81¢ cwt. - 58%

No. 5 - Canned Goods:

Ex St. Remi, P.Q. to Toronto -

1947 rate .41¢ cwt.

1958 rate .58¢ cwt.

Increase .17¢ cwt. or 42%

No. 6 - Frozen Fish:

Ex McIntyre Lake, Nova Scotia to Toronto -

1947 rate .62¢ cwt.

1958 rate 1.27 cwt.

Increase .65¢ per cwt. or 105%

No. 7 - Refrigeration Service on Railroads:

1947 rate for ice \$4.00 per ton

1958 rate for ice \$8.00 per ton

Increase \$4.00 per ton or 100%

The thoughts expressed in this paper, the examples cited and figures quoted are not presented as a criticism of the organizations involved nor of the rates, methods or practices.





We feel they serve to indicate the great variance which can and does occur in the "Cost Increase" or widening of the spread due to Trans-  
portation or Freight.

We further feel they show very graphically:

- (a) The increase in cost of transportation.
- (b) The fact that transportation costs in total per item or commodity are not readily discernable due to many factors.
- (c) How Transportation costs can be lowered through "planned procedure" and through study and co-operation between all segments of the food industry.













HANDBOUND  
AT THE



UNIVERSITY OF  
TORONTO PRESS



